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**INTERNATIONAL DEVELOPMENT: VALUE ADDED
THROUGH PRIVATE SECTOR ENGAGEMENT**

HEARING

BEFORE THE

**COMMITTEE ON FOREIGN RELATIONS
UNITED STATES SENATE**

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SECTOR ENGAGEMENT**

THURSDAY, MAY 4, 2017

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

The committee met, pursuant to notice, at 10:00 a.m. in room SD-419, Dirksen Senate Office Building, Hon. Bob Corker, chairman of the committee, presiding.

Present: Senators Corker [presiding], Flake, Gardner, Young, Paul, Cardin, Menendez, Shaheen, Coons, Murphy, Kaine, Markey, and Booker.

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

The CHAIRMAN. The Foreign Relations Committee will come to order.

We thank our distinguished witnesses for being with us today.

At today's hearing, we will consider ways the public and private sectors can promote their mutual interests through economic growth in the developing world.

As we all know, the administration is currently conducting a comprehensive review of our foreign aid policies and budget, something that I certainly support. We talked a little bit about this prior to the meeting.

With rising deficits, it is prudent to thoroughly review these programs, and I strongly believe we can strike an appropriate balance that recognizes the critical role of diplomacy and aid while ensuring taxpayer dollars are used in the most efficient and effective manner.

The reality is that the United States spends only 1 percent of our federal budget on diplomacy and foreign assistance. And military leaders tell us that without these reforms, our brave men and women in uniform would more likely be asked to enter harm's way. Still, in comparison to other countries, we are a very generous donor of foreign aid, and it is clear that official development assistance alone will not achieve the development goals we seek.

Looking to the free market provides an opportunity for us to be more effective in fostering sustainability and will diminish the need for our assistance over time.

Now more than ever the private sector is playing an increasingly prominent role in the growth of developing and emerging econo-

mies. In many respects, businesses are making investments not out of charity but because they see real potential for gains and building suppliers in markets in the developing world.

As a result, private sector interest and returns on investment is intersecting with longstanding public sector interest in promoting economic growth and development in the world's poorest countries.

For example, the Organization of Economic Cooperation and Development, the OECD, has estimated that with full implementation of the World Trade Organization facilitation agreement, developing and developed countries could reduce global trade costs by as much as 15 percent. Not only does that help developing countries attract investment, grow their economies, create jobs and trade with the world, but it also helps U.S. businesses export to these developing countries and build their supply chains.

Therefore, we must look for appropriate ways to leverage shared private sector and public sector interests and eliminating unnecessary barriers to trade and investment, promoting business environments that will attract investment.

Our witnesses today will provide examples of how their companies' pursuit of business opportunities has intersected with public sector development objectives. I hope we will hear about both the opportunities, as well as the challenges of partnering with the U.S. Government on development so we can fully realize the potential of private sector engagement.

Thank you again for being here.

I will turn to our distinguished ranking member, Ben Cardin, for his comments.

And again, we look forward to a great hearing.

**STATEMENT OF HON. BENJAMIN L. CARDIN,
U.S. SENATOR FROM MARYLAND**

Senator CARDIN. Well, Mr. Chairman, thank you very much for convening this hearing. I am looking forward to hearing from our witnesses.

And I agree with your assessment that we can always do things better. And in development assistance, we very much depend upon our partnerships with the private sector. And I am anxious to hear how we can be more effective in leveraging activities in the private sector.

Before that, I want to acknowledge some special guests that are in the audience for today's hearing. Tebabu Assefa and his wife Sara Mussie are founders of Blessed Coffee, a diaspora small business and benefit corporation based in Takoma Park, Maryland, just a few miles north of the capital. And I just want to acknowledge them. Blessed Coffee employs a holistic approach to development, supporting schools and clinics and providing training and investment opportunities to benefit the communities of 300,000 small coffee growers organized under the Oromia Coffee Farmers Cooperative Union in Ethiopia.

I have visited their community here and have seen their approach, and I must tell you I am very proud of what the diaspora community has done in building opportunity here in Maryland but also giving hope for entrepreneurship in Ethiopia. So I just really

wanted to acknowledge that and thank them for their leadership in our community.

Maryland was in fact the first State in the Nation to incorporate benefit corporations in 2010. Today more than 30 States have followed suit.

So I am very proud to have Tebabu and Sara as constituents, and I am even more proud of the example they are setting for social responsibility business practices. I know as members of Maryland's large Ethiopian diaspora community, they are proud to invest in the coffee farming communities in Ethiopia. I wish you all the best as you continue your venture.

Today's private sector witnesses are also doing good work to promote international development. Your companies recognize both the social and economic benefits of improving the welfare of the international communities in which you operate. I look forward to hearing your stories. It is important that we highlight your work and hope it inspires more large multinational corporations to emulate your actions.

The valuable contributions of the private sector to international development also highlight the significance of U.S. Government development efforts. U.S. international development programs invest in people, our programs invest in saving lives, educating young people, training farmers, doctors, and entrepreneurs. The programs exemplify U.S. values and promote the power of democracy and the importance of protecting human rights.

When U.S. international development is successful, it inspires faith in our country. When it is done right, these programs help create a world that is safer for the U.S. and more open to U.S. economic opportunities.

Mr. Chairman, I just really first want to underscore that I am pleased to see that later today we are going to pass the fiscal year 2017 budget, and that when we take a look at the appropriations that is within the sphere of what we are talking about today, we have done well. We have been able to maintain a strong presence by the Federal Government in development assistance globally. And I say that despite that during the consideration of the fiscal year 2017 budget, we had President Trump's fiscal year 2018 skinny budget that was presented that had significant cuts in these programs. That was not carried out by the Congress in fiscal year 2017.

Now, we are going to have our debate on the fiscal year 2018 budget, and I hope our committee will weigh in. I think our testimony here today is important. But one thing I just really want to underscore, as I look at the companies that are represented here at the dais and I look at Blessed Coffee, and I know the challenges they have of doing business in other countries. Our USAID missions in these countries provide the local expertise that many times is absolutely essential in order to be able to get these opportunities moving. And as we talked about before the hearing began, the United States USAID provides a lot of the basic infrastructure support that otherwise could not be possible for these companies to be able to do their business in these other countries.

So these are partnerships, and I just want to hear directly how we can leverage more private sector but also at the same time

make it clear that there is a public role and how that public role can be done more efficiently.

I also want just to acknowledge, if I might. We have a couple witnesses that are here—we have the representative from Starbucks. I cannot let this opportunity go by without thanking you for what you are doing in my own State of Maryland with innovative programs to help challenged communities. You have shown social responsibility not only globally but here in the United States, and I personally want to thank you for that.

And with Congressman Kolbe here, I need to acknowledge his extraordinary leadership as a Member of the House of Representatives. I had a chance to travel with Jim to Africa on a USAID fact-finding mission, and I must tell you your legacy is very strong here in the importance of development assistance to our national security budget.

I welcome the other witnesses that are here.

Coke is a very important part of our community. All of you do business that are very important. So we look forward to your testimony.

The CHAIRMAN. Thank you, Senator Cardin.

We welcome our witnesses and Blessed Coffee. Thank you for being here.

Our first witness is the Honorable Jim Kolbe, someone well known to all of us, former Member of the U.S. House of Representatives from Arizona serving from 1985 to 2007. Mr. Kolbe is Honorary Chair of the Modernizing Foreign Assistance Network, very much on task here today. We look forward to your testimony.

Our second witness is Mr. Walt Macnee, Vice Chairman of Mastercard. We had a chance to visit before the meeting for a few moments. Is it not great to have a business that can be utilized and really helping people in places like where Senator Coons and I were just a few weeks ago? He has led initiatives to foster public-private partnerships around the globe. And I know his testimony will be very valuable.

Our third witness is Mr. Michael Goltzman of the Coca-Cola Company. My gosh, you all are all over the world and a brand known to many. I know you all have been very, very involved in helping us with this type of initiative. He is Vice President of International Government Relations and Public Affairs. We welcome you.

And our fourth witness is a competitor to Blessed Coffee, Ms. Kelly Goodejohn from the Starbucks Coffee Company where she is Director of Ethical Sourcing, Global Social Impact and Public Policy. You all have been a leader in those efforts. We thank you for being here.

If you could each hold your comments to about 5 minutes, without objection, your written testimony will be entered into the record. And if you would just go down the line in the way that you were introduced, it will save a lot of time. So, Congressman, thank you and welcome.

STATEMENT OF HON. JIM KOLBE, HONORARY CO-CHAIR, MODERNIZING FOREIGN ASSISTANCE NETWORK, WASHINGTON, DC

Mr. KOLBE. Thank you very much, Chairman Corker and Ranking Member Cardin, and the other members of the committee here. It is a great pleasure to be able to testify today especially with this distinguished panel who are really the practitioners of public-private partnerships.

This is certainly a timely topic to be talking about today as we consider the impact of United States assistance and contrast this with the foreign affairs budget for fiscal year 2018 which, as proposed, would significantly reduce our diplomacy and development programs.

So I want to commend both the chairman and the ranking member and this committee for keeping the committee focused on the importance of U.S. global leadership, effective partnership, and good development practices.

As you mentioned, I serve as Honorary Co-Chair of the Modernizing Foreign Assistance Network. It is a coalition of international development practitioners and foreign policy experts that advocate for reform to increase the effectiveness of U.S. foreign assistance. It was founded in 2008. It has been a vocal advocate for elevating development as a national security pillar equal to that of defense and diplomacy.

I also appear today with the background of having chaired for 6 years, as was mentioned, the Appropriations Subcommittee on Foreign Operations, responsible for many of the programs that we are talking about.

Today we face a growing number of complex crises involving failed states and terrorist organizations. We also see a number of developing countries experiencing high rates of economic development and improved health and productivity of their citizens.

There is an important role for U.S. foreign assistance and the private sector in each of these contexts. Recent Presidents of both parties have partnered with Congress to make assistance smarter, more efficient, and more effective. These efforts, from the establishment of the Millennium Challenge Corporation, which I was very much involved with, the President's Emergency Plan for AIDS Relief, PEPFAR, to enacting the Foreign Aid Transparency and Accountability Act, the Global Food Security Act, the Electrify Africa Act, all advance in different ways our national interests and the cause of development.

The connection between U.S. foreign assistance to the private sector and economic growth is clear. Eight of America's 10 top export markets are former recipients of U.S. foreign assistance, and they are now close U.S. allies.

In 1960, official development assistance made up nearly 70 percent of all capital flows to the developing world. Today the figure is less than 10 percent with the overwhelming majority of capital coming from the private sector, remittances, and philanthropy.

Thus, there are significant opportunities for the U.S. to engage with the private sector to advance inclusive economic growth and our own interests at the same time, such as supporting good governance, free market institutions, investments in infrastructure,

and a capable workforce. The Millennium Challenge Corporation I think is an outstanding example of this approach.

And USAID has transformed itself in recent years, increasing partnerships with the private sector, significantly strengthening its policy, evaluation, transparency, and learning capabilities.

By focusing further on effective engagement of the private sector, U.S. development assistance can achieve even more. And so I would just close by recommending six steps for your consideration.

First, strengthen U.S. development finance mechanisms such as establishing a new development finance bank that would pull together different agencies like OPIC and the Trade Development Authority.

Second, work with partner governments to support policies and programs that are designed to foster a productive environment for U.S. and local businesses.

Third, systematically review the effectiveness of U.S. public-private partnerships to determine how we can increase their development impact.

Fourth, enhance coordination between U.S. development agencies and the U.S. and local private sector. One plan, the Economic Growth and Development Act, proposed by Senator Isakson in recent years, would do just that.

Fifth, build on the demonstrated success of the MCC by expanding its threshold programs and compact agreements to more countries.

And finally, maintain and strengthen U.S. global engagement and development by ensuring that funding and aid agency structure reflects agency effectiveness principles, clear objectives, and a global development strategy drafted in consultation with the development community.

I thank you, Mr. Chairman, for this opportunity to give this brief testimony and look forward to any questions we may have at the end.

[The prepared statement of Mr. Kolbe follows:]

PREPARED STATEMENT OF JIM KOLBE

Chairman Corker, Ranking Member Cardin, and members of the Committee:

Thank you for the opportunity to testify today on the subject of the role of the private sector in international development. This is a timely topic, as we contrast the strategic purpose and impact of United States assistance programs with the administration's proposed foreign affairs budget, which would make significant reductions in diplomacy and development programs. I would like to commend the Chairman and Ranking Member for convening this hearing and for keeping the Committee focused on the importance of U.S. global leadership, effective partnership, and good development practices.

I am also delighted to be joined by the other distinguished panelists here today. There is enormous experience here from the U.S.-based private sector about how to advance economic development abroad.

I serve as an Honorary Co-Chair of the Modernizing Foreign Assistance Network (MFAN), a reform coalition composed of international development practitioners and foreign policy experts. MFAN advocates for responsible reforms to increase the effectiveness of U.S. foreign assistance programs. Since its founding in 2008, MFAN has been a vocal advocate for elevating development as a national security pillar equal to that of diplomacy and defense. I also appear today with the background of having served, while a Member of Congress, as chair for six years of the Appropriations Subcommittee on Foreign Operations—responsible for the funding the programs we are talking about today.

The world has changed dramatically over the past 15 years. We face a growing number of complex, global crises involving failed states and terrorist organizations

that impact entire regions and jeopardize America's safety and security as well as the lives of innocent civilians. We must honestly acknowledge the failures of our foreign assistance programs, such as in a country like Zimbabwe, where we once had a robust development assistance program, only to see the country become an autocratic kleptocracy. On the brighter side, we see a number of developing countries experiencing high rates of economic development, leading to improved health and productivity of their citizens.

There is an important role for U.S. foreign assistance and the private sector in each of these contexts. Recent Presidents of both parties have partnered with Congress to make assistance smarter, more efficient, and more effective. These efforts—from establishing the Millennium Challenge Corporation (MCC) and the President's Emergency Plan for AIDS Relief (PEPFAR), to enactment of the Foreign Aid Transparency and Accountability Act, the Global Food Security Act, and the Electrify Africa Act—all advance in different ways our national interest and the cause of development.

There is widespread bipartisan agreement that the United States needs strong and effective development programs to promote sustained economic growth and poverty reduction, foster stability, counter major global health threats, and bolster free societies. Under Republican and Democratic administrations alike, U.S. assistance has played a key role in shaping a broad alliance of like-minded, free-market democracies.

Today, the connection between U.S. foreign assistance, the private sector, and economic growth is clear: eight of America's top ten export markets are former aid recipients, and all are now close U.S. allies. There are significant opportunities for the U.S. Government and the private sector to work more closely together to achieve global development that advances U.S. economic, diplomatic, political, and security interests as well as our core values, ensuring that every individual has a fair chance to achieve his or her potential and shape the world around them.

ADDING VALUE TO INTERNATIONAL DEVELOPMENT

In 1960, Official Development Assistance made up nearly 70 percent of all capital flows to the developing world. Today, that figure is under 10 percent, with the overwhelming majority from private capital, remittances, and philanthropy.

The benefits of a private sector led approach to inclusive development are numerous. Developing countries benefit from the dynamism that comes from private sector job creation, foreign direct investment and technology transfer, workforce development, access to foreign markets and customer bases, and from the development of a tax base that ultimately funds social investment programs in health and education. The international private sector benefits as well, from the ability to develop new customers and markets, expand global supply chains, and expand workforce talent.

To foster inclusive growth and job creation, U.S. foreign assistance programs and the private sector can work in partnership to reinforce four conditions for economic development.

First, good governance and the rule of law is vital. This includes adherence to due process, property rights, intellectual property protections, anti-corruption regimes, and fair and transparent procurement systems.

Second, free market institutions and protections should be fostered. The examples are numerous and include functioning capital markets and banking systems, financial and investment legal system, protections against expropriation, and even providing political risk protections.

Third, investment in hard and soft infrastructure in developing countries is essential. Building air and sea ports and road systems and supporting transparent and efficient customs systems yield substantial returns. Congress's recent adoption of the Electrify Africa Act is a prime example of the opportunities that exist to leverage public and private dollars for maximum development impact.

Fourth, workforce development is an essential precursor to economic development. Quality education and health systems, worker training programs, and worker safety protections are examples of investments in people that can spark vibrant economies in the less developed world.

As I testified before this Committee in December, 2015, the Millennium Challenge Corporation is an outstanding example of the power of U.S. foreign assistance to support an enabling environment for economic growth and poverty reduction. In 2004, while serving as chairman of the House Appropriations Foreign Operations Subcommittee, our subcommittee worked to pass—with strong bipartisan support—the legislation creating the Millennium Challenge Corporation (MCC). MCC represented a new approach to foreign assistance, with a radical departure from the

way programs had been designed and countries selected for aid assistance in the past. It was designed with the singular mission of reducing poverty through economic growth in the world's poorest but relatively well-governed countries. The MCC's model of assistance is focused on four sound principles:

1. Selectivity in determining which countries to partner based on agreed-upon criteria—objectively measured and objectively applied;
2. A business-like approach to choosing investments using well designed analyses of constraints to economic growth;
3. A focus on country ownership through the consultation, development, and implementation processes of each MCC compact; and
4. A rigorous commitment to transparency and accountability from beginning to end of a country compact.

What has made the MCC successful has been its unwavering commitment to the principles upon which it was founded: democracy, rule of law, good governance, and transparency and the inclusion of outside, private directors on its governing board. These are principles deeply imbedded in the American value system. But they are also principles which peoples of other countries strive to incorporate into their own governing process.

Over time, MCC has integrated a number of requisite steps to foster inclusiveness and accountability, including constraints-to-growth analysis, broad local consultation, economic rate of return assessments, and monitoring and evaluation plans.

One theme that has emerged in MCC's work is the importance of working with the private sector, in sectors including transportation, power, water, sanitation, public health, and other services. There is recognition that government partnership with the business community can in many cases deliver, operate, and maintain services more efficiently than the government acting alone—but only if the proper legal frameworks are in place to make sure that both the public and private stakeholders are treated fairly. MCC has a growing track record of success incentivizing reforms to ensure that these frameworks are there.

In Ghana, for example, MCC and the Government of Ghana have heard clearly from businesses that a major obstacle to investing in power is uncertainty about the financial strength of the public utility, the Electricity Company of Ghana (ECG). So as part of MCC's nearly \$500 million investment in the power sector, MCC is helping the government structure a concession for a private sector operator that will ensure ECG's financial viability. MCC's investment in Ghana is expected to generate nearly \$4 billion in new private investment and economic activity in the coming years, including major investments from GE and Endeavor Energy. These companies have said that Ghana's MCC-backed reforms marked important steps towards building the creditworthy off-taker they needed.

In Jordan, MCC invested \$93 million to expand Jordan's As-Samra Wastewater Treatment Plant. This investment mobilized an additional \$110 million in private finance through a public-private partnership. Critical to the success of the project was the use of a financing model that enabled the Government of Jordan to invest more public funds in the water sector. As a result of the project, more high-quality treated wastewater can be used in irrigation, and Jordan gets more than one use out of each drop of water.

Facilitating a process for governments and communities—including the private sector—to lead their development and be accountable for results should be the guiding principle of all U.S. assistance programs.

Indeed, we are seeing U.S. agencies increasingly adopt these practices, significantly strengthening partnerships, country ownership of development, and accountability for results. USAID, in particular, has transformed in recent years, increasing its partnership with the private sector and significantly strengthening its policy, evaluation, transparency, and learning functions. A recent GAO review (GAO-17-316) of the six largest U.S. aid agencies, for instance, found that MCC and USAID had the highest number of good and high quality evaluations.

With increased attention to accountability, multi-stakeholder partnerships, and local ownership, U.S. development assistance can better support poverty-reducing economic growth and strengthen the citizen-state compact so that governments are more responsive to the needs of their people.

RECOMMENDATIONS TO BETTER TAP INTO THIS POTENTIAL

U.S. global leadership remains paramount even though we face an increasingly constrained budget environment. Faced with these challenges, we must identify opportunities to achieve greater leverage from U.S. private sector investments. There are a number of avenues that are ripe to pursue.

One such area is a systematic review and removal of obstacles to greater investment and trade within regions that are often stymied by poor infrastructure, inefficient customs regimes, and corruption. We should focus on laws and practices that hamper not just U.S. enterprises from conducting business in these countries, but simultaneously cripple the creation and growth of home-grown local small and medium-sized enterprises (SMEs). Too often, local entrepreneurs in developing countries are unable to start and expand businesses because of unnecessary and outmoded regulations, lack of access to land titles, lack of a legal identity, or other institutional obstacles. In turn, international companies will be more inclined to invest in emerging economies in which clear codes of conduct and the rule of law are institutionalized and functioning.

Another area of potential is improving the impact of U.S. public-private partnerships (PPPs). With an estimated 1,600 PPPs initiated by USAID since 2001, there is clear recognition of the potential that exists in leveraging private expertise and resources towards a public purpose. Despite wide acknowledgment of the pivotal role the private sector must play in advancing inclusive growth, too little is known about either the impact of specific PPPs or the efficacy of particular PPP structures.

I recommend six steps for your consideration:

1. Strengthen U.S. development finance mechanisms, such as establishing a new Development Finance Bank that would pull together under a single roof agencies like OPIC, TDA, and existing strands of USAID and Treasury that promote development finance. It must be provided with enhanced authorities, including additional risk mitigation tools, technical assistance resources, and equity investment capacity, as my colleague Robert Mosbacher, former president and CEO of OPIC and MFAN Principal, recently described in a recent article titled, "How this little known government agency helps put America first." Such a Development Finance Bank should adopt a self-sustaining financial model where its operational budget, including technical assistance, is fully paid for by operating profits.

2. Work with partner governments to support policies and programs that are designed to foster a productive private sector environment for U.S. and local business. For local businesses, this could include means of transitioning local small and medium enterprises (SMEs) from the informal economy to the formal economy.

3. Systematically review the effectiveness of U.S. public private partnerships to determine how to increase their development impact. There is growing support for the gamut of dynamic public-private partnerships that have emerged on the development stage, but they require rigorous evaluation if we are to improve future partnerships and their impact.

4. Enhance coordination between U.S. development agencies and the U.S. and local private sector. The private sector perspective must be overtly incorporated into country development plans and a rigorous analysis to constraints to growth must be pursued, as proposed in the Economic Growth and Development Act sponsored in previous years by Senator Isakson.

5. Build on the demonstrated success of the Millennium Challenge Corporation's ability to operate in environments that are more fertile for private investment by expanding its threshold programs and compact agreements to more countries.

6. Finally, we must maintain and strengthen our tools of global engagement and development—not abandon or undermine them. The effectiveness of MCC, USAID, PEPFAR, and other U.S. agencies is real, and we should focus on opportunities to strengthen this impact. As you consider the foreign assistance budget and the agencies that deliver this assistance, it is vital that decisions of funding and structure be based on sound reform principles, clear objectives, and a global development strategy drafted in consultation with Congress, the administration, and the development community.

In conclusion, the power of U.S. foreign assistance and inclusive private investment are major opportunities for economic growth, job creation, and poverty reduction. In a time of limited budgets, effective coordination between the U.S. Government and the private sector to achieve goals that benefit both are more vital than ever.

Thank you, and I look forward to answering any questions you may have.

The CHAIRMAN. Thank you so much.

**STATEMENT OF WALT M. MACNEE, VICE CHAIRMAN,
MASTERCARD INCORPORATED, PURCHASE, NEW YORK**

Mr. MACNEE. Good morning, Mr. Chairman, Ranking Member Cardin, and the other committee members. My name is Walt Macnee. I am Vice Chairman at Mastercard. I would like to thank the committee for the opportunity to speak today about the private sector role in development and humanitarian programming.

Billions of people around the world cannot meet their basic human needs, needs like food, access to health, education, jobs, and commerce. But the challenges stretch beyond the capabilities of governments and civil society alone. Private sector assets and expertise can create more effective, scalable solutions that improve the lives of those who suffer most.

For Mastercard, we view our efforts as strategic investments in the long-term development of communities.

A common misconception about Mastercard is that we are a credit card company. In fact, Mastercard is a technology company, and we are in the payments industry. Our network connects buyers and sellers in 210 countries and territories in an efficient, scalable, and secure manner.

Mastercard has invested in building and expanding a public-private partnership division that measures our performance both in terms of financial and social impact. We leverage our industry-leading expertise in digital infrastructure, data analytics, innovation practices, and sustainable business models to build scalable solutions. We have developed transformational programs that deliver humanitarian assistance efficiently. We connect smallholder farmers to markets, and we work with health care companies to track the dosage of lifesaving vaccines.

We do not and cannot operate alone. Notably, we rely on the knowledge of implementing organizations such as Mercy Corps, World Vision, Save the Children, and the International Rescue Committee. Each have deep expertise in understanding beneficiary needs and delivering programs in extremely complex environments. Their inputs ensure we build products and services that are fit for purpose.

We believe that long-term, sustainable private sector engagement in the development and humanitarian space requires incentives to encourage companies to participate. We are incentivized to promote citizen well-being, domestic security, and economic growth in the countries where we work because stable economies are an ingredient to building markets of the future. Plus, engaging in development and humanitarian work is not only the right thing to do, it also infuses our corporate culture with an intellectual vibrancy that drives greater internal productivity and enables us to attract top talent.

To date, we have used our digital infrastructure to facilitate the transfer of aid to over 2.5 million vulnerable people worldwide. In 2015, Mastercard made a bold commitment to universal financial access with a goal of 500 million people and 40 million micro-merchants who are currently excluded from the financial mainstream. And we are well over halfway to meeting that goal.

The private sector and public sector can each serve as a force for good independently. However, working together, we unlock the potential to achieve much more.

Looking ahead, I encourage the U.S. Government to consider new ways to drive efficiency, security, transparency, and scalability in development and humanitarian programming. Promoting a digital means of aid distribution is, we believe, a significant step in the right direction.

I appreciate being able to speak today and look forward to questions. Thank you.

[The prepared statement of Mr. Macnee follows:]

PREPARED STATEMENT OF WALT M. MACNEE

Good morning, Mr. Chairman, Ranking Member Cardin, and other Committee Members. My name is Walt Macnee, and I am the vice chairman of Mastercard. I would like to thank the Committee for the opportunity to speak today about the private sector's role in development and the potential for digital technology to improve the effectiveness of humanitarian and development programming.

Billions of people around the world cannot meet their basic human needs like food, shelter, clothing, and health. Access to capital, education, jobs, and commerce that would help them build livelihoods and resilience remains inadequate. The needs are great, and we acknowledge the necessity of development assistance.

But, the challenges stretch beyond the capabilities of governments and civil society, and, as such, there has been broad recognition that private sector capabilities and expertise can advance social progress. Philanthropy alone cannot manage the task. Key competencies in investments, technology, product development, operations, and the maintenance of profitable, sustainable business models, if applied to the humanitarian and development space, could help create more effective, scalable solutions that improve the lives of those who suffer most. Through this concept of shared value partnerships, companies can utilize their strengths to empower individuals, grow communities, stretch aid dollars, and advance business interests in a globalized world.

For Mastercard, a digital technology company in the payments space, we view our efforts as strategic investments in the long-term development of communities. Working with partner humanitarian and development organizations, we build products and services that bring dignity to the vulnerable and help improve the way the system works—making it more efficient and transparent, and enabling more rapid response and greater scale.

MASTERCARD'S UNIQUE APPROACH

A common misconception about Mastercard is that we are a credit card company. In fact, Mastercard is a technology company in the payments industry, and our network connects buyers and sellers in 210 countries and territories across the globe in an efficient, scalable, and secure manner.

Mastercard has long been committed to improving the quality of life of the most vulnerable, delivering social impact for more than a decade. In 2006, we served as a model for other corporations in creating the Mastercard Foundation, a breakthrough public private entity. At the time of its public offering, Mastercard contributed approximately 10% of its stock, valued today at over \$12.5 billion, to found an independent non-profit organization. Each year the Mastercard Foundation spends approximately \$200 to \$300 million helping economically disadvantaged young people find opportunities to lift themselves, their families, and their communities out of poverty.

Through the Mastercard Foundation, we built a successful self-sustaining model for traditional philanthropy, yet we knew our company could do more. How could we reimagine philanthropy such that private sector assets and capabilities catalyze scale growth? In 2013, we formed the Mastercard Center for Inclusive Growth, an independent subsidiary. The Center combines expertise, data, technology, and philanthropic investments to empower a community of thinkers, leaders, and innovators to advance equitable and sustainable economic growth.

We recognize that philanthropy, while catalytic, is not sufficient to meet the large scale needs of the billions of impoverished people who lack basic necessities and access to social infrastructure that can improve their condition.

Mastercard has invested in building and expanding a public private partnerships division that measures our performance both in terms of financial as well as social impact. We leverage our industry-leading expertise in digital infrastructure, data analytics, innovation practices, and sustainable business models to build scalable solutions that address the humanitarian, health, education, employment, and commerce needs of the poor. We have developed transformational programs that deliver social benefits efficiently, reducing fraud and leakage for governments, while giving beneficiaries control over their money; we connect micro- and small- merchants to the formal economy providing them with access to digital commerce and credit in order to expand their businesses; and we work with healthcare companies to track the administration of life-saving vaccines—all help to advance social and economic development in the markets where we operate.

It must be stated that we do not and cannot operate alone. We believe that for significant, scaled impact, companies need to engage in shared value partnerships that match the capabilities and objectives of governments, civil society, and the private sector. Notably, we rely upon the knowledge of implementing organizations such as World Vision, Mercy Corps, Save the Children, and the International Rescue Committee that have unparalleled expertise in understanding beneficiary needs and delivering programs in extremely complex environments. Their inputs ensure that we build products and services that are fit for purpose. As the sector continues to face a growing gap between need and available funding, cross-sector collaboration ensures that together we have greater impact.

We believe, however, that long-term, sustainable private sector engagement in the humanitarian and development space requires shared value partnerships that go beyond appealing to a company's desire to "do the right thing," rather they should also encourage companies to benefit. Mastercard benefits from promoting citizen welfare, domestic security, and economic growth in the countries where we work. As we earn the trust of local authorities and local populations become more familiar with our brand, we build markets of the future with relevant solutions that solve everyday needs. And, we believe, genuinely, that engaging in humanitarian and development work is not only the right thing to do, it also infuses our culture with an intellectual vibrancy and dynamism that drives greater internal productivity and enables us to attract top talent.

MASTERCARD'S ROLE IN THE HUMANITARIAN AND DEVELOPMENT SPACE

Turning to today's topic, over the past five years, Mastercard has helped our NGO partners respond to crises in some of the world's most challenging environments. To date, we have facilitated the transfer of aid to over two and a half million vulnerable people worldwide, and at last year's United Nations General Assembly, we pledged to expand our suite of humanitarian and development solutions to reach an additional two million aid recipients. We view humanitarian and development programs as an onramp to financial inclusion, providing vulnerable populations with tools and skills that then allow them to build vibrant communities. In 2015, Mastercard made a bold commitment to universal financial access, targeting 500 million people and 40 million micro-merchants currently excluded from the financial mainstream. To date, we have made the financial system accessible to over 300 million people worldwide through over 500 programs in more than 50 countries.

EXAMPLES OF MASTERCARD'S PUBLIC PRIVATE PARTNERSHIP ACHIEVEMENTS

Allow me to briefly describe the four solutions that we offer along with some of the results that we have experienced.

2KUZE. Launched in January 2017, 2KUZE is a digital platform that connects smallholder farmers, agents, buyers, and banks in East Africa. 2KUZE, which in Swahili means "Let's grow together," enables farmers to buy, sell and receive payments for agricultural goods via their feature phones. The platform brings the benefits and security of mobile commerce and payments to farmers in Kenya, Uganda, and Tanzania. It was developed at the Mastercard Labs for Financial Inclusion in Nairobi, established in 2015 as a landmark partnership combining the philanthropic capital of the Bill and Melinda Gates Foundation and the business acumen of Mastercard. The Lab innovates practical and cost-effective financial tools that expand access and help build stable futures for more than 100 million people globally.

In the initial pilot, 2KUZE launched in partnership with Café direct Producers Foundation, a non-profit organization working with 300,000 smallholder farmers globally. We are excited about the results we are seeing in the early stages, specifically throughout the continent of Africa, where we are seeing thousands of farmers adopting our solution. Our solution empowers these farmers to sell their produce by

working with farmer-friendly agents to ensure that they reach the right buyers and secure the best price.

Mastercard Aid. The Mastercard Aid Network is a flexible, digital aid solution that works without constant connectivity and eliminates the need to partner with a financial institution. Mastercard Aid programs are modeled on improving the outdated practice of delivering aid via paper vouchers. In these programs, Mastercard provides a local NGO with card terminals and chip cards that function as digital vouchers and can be loaded with “points” instead of a currency. The NGO staff on the ground distributes the cards to aid recipients and also selects local merchants to participate in the programs. It provides these merchants with a terminal consisting of a card reader and Android device. Aid recipients use the digital vouchers at participating merchants to redeem points for basic supplies. The NGO is able to track card usage through reports, and then pays the merchants for points redeemed during a given period. In less than two years, we have provided digital vouchers to four leading international organizations and two consortiums, collectively targeting 120,000 households, in countries as diverse as Nepal, Mozambique and the Philippines.

In conflict-ridden Yemen, we partnered with Save the Children, which was charged with managing a food security program. Expatriate staff had to be evacuated due to the security situation, but they were able to manage the program remotely. As of May 2017, Save the Children has distributed aid to over 6,000 households.

Mastercard Prepaid. To respond to the refugee crisis in Southern Europe, we launched programs in partnership with Mercy Corps to distribute Mastercard-branded prepaid cards to eligible refugees traveling through Serbia and Greece. These cards, preloaded with funds, are capable of being used at any Mastercard accepting merchant.

This was the first program in the region to use an international cashless payment mechanism to help the tens of thousands of people seeking haven in Europe cover their basic needs. According to figures from Mercy Corps, over 90 percent of cardholders said in November 2016 that their safety had either improved or remained stable. Mercy Corps is now responsible for roughly 25 percent of all cash programming among the refugee response in Greece and its islands, currently digitally distributing over \$650,000 a month. Since December 2015, a total of 16,828 beneficiaries received a share of \$3.1 million on the Greek mainland and islands. These funds not only provide refugees with the dignity of choice but they significantly reduce logistical and other expenses associated with more traditional methods of aid. Mastercard card solutions have been deployed in humanitarian and development efforts in other countries such as Turkey, Lebanon, Jordan, Rwanda, and Kenya.

Mastercard Send. Our Mastercard Send technology facilitates the disbursement of funds from a government or NGO to a variety of account types—payment cards, mobile money, bank accounts, and cash-out agents—from anywhere in the world. This enables organizations to more efficiently distribute funds in local markets. For our very first deployment in a humanitarian context, we partnered with the American Red Cross and the Indonesian Red Cross (locally known as Palang Merah Indonesia) on a pilot in a region outside of Jakarta, Indonesia. The project targeted a drought-affected population in the spring and summer of 2016 with messaging to encourage the purchase of water and other critical items to meet daily needs. The local Indonesian Red Cross organized the distribution and registration of SIM cards and mobile money wallets and also carried out monitoring and evaluation of the program.

Mastercard provided a connection to local mobile money operator Indosat to facilitate the transfer of funds from the American Red Cross in the United States to over 700 beneficiary households in Indonesia. Funds reached nearly every targeted beneficiary: 99.7 percent of households received cash grants, and 100 percent of transactions reached the correct beneficiary accounts within 24 hours. Though only a pilot, the program was well received with 98.1 percent of recipients saying that the distributed funds helped them to fulfill their household needs and 79.2 percent saying that they would like to receive aid via mobile wallet again.

Overall Benefits. In general, these types of programs increase efficiencies and reduce expenses associated with humanitarian and development programming in various ways.

- **Cost reduction**—Reusable, reloadable cards decrease waste associated with producing multiple cards or vouchers and lower costs associated with manual, paper-based processes.
- **Remote program management**—Programs managed from a central location permit government or NGO staff to view results or distribute aid remotely. Partners

can track aid usage, which reduces fraud and enables the use of aid for intended purposes.

- Standardized data reporting—Central program management allows government or NGO staff to leverage data to provide insights into the workings of a program. Analysis of such data leads to better decision-making on the use of funds and the needs of the targeted population.

- Stronger risk management—Merchants participating in programs cannot take advantage of governments and NGOs by creating fraudulent tokens and claiming excess reimbursements, and our partners can turn off access if they observe suspicious patterns in redeeming points.

- Better compliance—Digital assistance enables greater adherence to cross-border regulations by ensuring that aid is delivered to the right beneficiary. Transfers become visible, trackable, and accountable.

- Value for time—Beneficiaries have access to smarter, faster, and simpler transactions that allow for them to focus on their day to day lives.

- Scalable results—Our technology allows for scale in aid delivery. We have reached an estimated 2.5 million people through programs in: Lebanon, Jordan, Turkey, Yemen, Nepal, the Philippines, Indonesia, Mozambique, Niger, Ethiopia, Nigeria, Kenya, and Somalia.

CONCLUSION

The private sector and public sector can each serve as a force for good independently; however, when the public and private sectors work together, they unlock the potential to achieve even more.

Looking forward, I encourage the U.S. Government to consider new ways to drive efficiency, speed, security, and transparency in development and humanitarian programming. Promoting a digital means of aid distribution is a significant step in the right direction for all the reasons I mentioned earlier.

From our perspective, you have Mastercard's commitment—we will continue to leverage our technology, data, and know-how in an effort to solve many of the world's most pressing problems. It is the right thing to do, and it is also good for business. By integrating purpose into our work at Mastercard, we are able to attract top talent, grow our base of customers, and create brand affinity with consumers, merchants, and governments all around the globe. In a larger sense, and as a responsible any, we remain compelled to act, as the needs around the world are far too great for the public sector to tackle alone.

I appreciate the opportunity to share our experiences with the Committee today and I welcome any questions that you may have.

STATEMENT OF MICHAEL GOLTZMAN, VICE PRESIDENT, INTERNATIONAL GOVERNMENT RELATIONS AND PUBLIC AFFAIRS, THE COCA-COLA COMPANY, ATLANTA, GEORGIA

Mr. GOLTZMAN. Chairman Corker, Ranking Member Cardin, and members of the committee, thank you very much for the opportunity to be here today to discuss how the Coca-Cola Company creates shared value and contributes to international development through our investments in more than 200 countries and territories globally. In fact, this marks the 111th anniversary of Coca-Cola's international operations. And on behalf of more than 700,000 Coca-Cola system employees globally, we are honored to participate today.

As our Chairman Muhtar Kent often states, neither business nor government nor civil society can solve the world's greatest challenges on its own. It is only through collaboration and creating a golden triangle of partnerships between these three actors that we can address today's global development challenges.

I worked for the Coca-Cola Company both at our corporate headquarters but also in North Africa, West Africa, and the Middle East. And I can speak from firsthand experience about the creation

of shared value for the communities where we operate, as well as for the continued sustainable growth of our business.

First and foremost, we are investing to respond to increasing demand from growing middle classes for packaged beverages. And some of the recent public investment commitments that we have made include a commitment to invest \$17 billion across the African continent from 2010 to 2020; \$5 billion across the Middle East from 2012 to 2021; another \$5 billion in India from 2011 to 2020; and \$1 billion each in Ecuador and Argentina in the coming years.

Since the Coca-Cola system is a local business in every country where we operate, our beverages are nearly always produced locally, using local ingredients, local employees, local factories, and distributed through a local network of outlets where consumers purchase them. As a result, we have an enormous economic employment multiplier effect. For every job in our system, a further 10 jobs are created in the broader national economy. And this means that we employ thousands of people in each of the countries around the world where we operate.

Our partnership investment priorities are closely linked to our sustainability priorities. We know that for our business to be successful over the long term, communities in which we operate must be sustainable, sustainably economically with good jobs and quality beverages, environmentally sustainable with access to safe water, and with strong community support networks that enable them to respond to their biggest challenges.

We are proud to have worked with governments, NGOs, as well as private sector actors to address key challenges like women's economic empowerment, water stewardship, sustainable agricultural production, education, and improved medical supply chains. And we have been privileged to work with the U.S. Government, as well as numerous NGO partners like CARE, Mercy Corps, the Global Water Challenge, the Millennium Development Corporation, the U.S. State Department, USAID, and the World Wildlife Fund, to name a few.

I would like to just focus on one project in particular, RAIN, which includes our USAID partnership Water and Development Alliance to increase access to clean drinking water and sanitation and improving the stewardship of water in many developing countries.

We have invested in this because 300 million people in Africa lack access to safe water. The Coca-Cola Africa Foundation in 2009 established its flagship program, the Replenish Africa Initiative, and to date, we have worked with more than 140 government, private sector, and civil society organizations to touch and improve nearly 3 million African lives with \$65 million in investment from Coca-Cola and leveraging another \$130-plus million investment from other sources, including public sector sources such as the U.S. Government and the Millennium Development Corporation.

We have been proud to work in these partnerships and to work on things like water stewardship and women's economic empowerment, and I would be delighted to answer questions about the challenges or any further information that you would like about these partnerships.

Thank you.

[The prepared statement of Mr. Goltzman follows:]

PREPARED STATEMENT OF MICHAEL GOLTZMAN

Chairman Corker, Ranking Member Cardin, Members of the Committee, thank you for the opportunity to discuss how The Coca-Cola Company creates shared value and contributes to international development through our investments in the more than 200 countries and territories where we operate globally. In fact, this marks the 111th anniversary of Coca-Cola's international operations.

On behalf of the more than 700,000 Coca-Cola system employees globally, we are honored to participate in today's hearing. As our Chairman Muhtar Kent often states, neither business nor government nor civil society can solve the world's greatest challenges on its own. It is only through collaboration and creating a "golden triangle" of partnership between these three actors that we can make progress toward addressing global development challenges. As someone who has worked for The Coca-Cola Company both at our corporate headquarters and also in North Africa, West Africa and the Middle East, I can speak from first-hand experience about how Coca-Cola's investments create shared value—value for the communities in which we operate as well as supporting the continued sustainable growth of our business.

Like many businesses around the world, the Coca-Cola system is investing in our own operations to ensure that we have the capacity and capability to satisfy the growing consumer demand for non-alcoholic beverages, including carbonated soft drinks, juices, waters, sports drinks, dairy, tea and coffee. Our business has greatly diversified over the past several decades, and today we have over 500 brands, 3,900 beverages, 30% of which are low or no calorie beverages. In 2016 alone, we launched 500 new products, offering consumers with more choices than ever before. And, of those 500 new beverages, nearly 400 are teas, juices, coffee, waters, and other drinks. As countries grow and increase the size of their middle classes, the demand for packaged beverages also increases. Some of recent public investment commitments to respond to this growing demand include:

- Commitment to invest \$17 billion across the African continent 2010–2020
- Commitment to invest \$5 billion across the Middle East 2012–2021
- Commitment to invest \$5 billion in India 2011–2020
- Commitment to invest \$4 billion in China 2015–2018
- Commitment to invest \$1.5 billion in Colombia 2014–2018
- Commitment to invest \$1.2 billion in the Philippines 2016–2020
- Commitment to invest \$1.0 billion in Ecuador 2014–2018
- Commitment to invest \$1.0 billion in Argentina 2016–2019
- Commitment to invest \$200 million in Myanmar 2013–2017
- Commitment to invest \$200 million in Pakistan 2017–2019

Since Coca-Cola is a local business in every country where we operate, our beverages are nearly always produced locally, using local ingredients, local employees in local factories and distributed through local networks to the outlets where consumers purchase them. We pride ourselves on being a local business that contributes significantly to local employment and economic activity. In fact, as a result of linkages with our upstream supply chain of raw materials and ingredients as well as with our downstream value chain of retailers and distributors, we estimate that on average for every job in the Coca-Cola system, a further 10 jobs are created in the broader national economy. This is an enormous positive development impact that creates a virtuous cycle of growth in national economies.

For example:

- In Colombia, the Coca-Cola system employs more than 8,000 people.
- In Argentina, the Coca-Cola system employs more than 9,000 people.
- In Ecuador, the Coca-Cola system employs more than 9,000 people.
- In Egypt, the Coca-Cola system employs more than 10,000 people.
- In India, the Coca-Cola system employs more than 25,000 people.
- In the United States, the Coca-Cola system employs more than 50,000 people. In Tennessee and Maryland alone, we employ 3,000 and 1,000 people respectively.

While the United States remains the Company's leading market for our beverages, 80% of our sales come from outside of the United States and therefore our overseas investments are critical to driving the Company's overall growth. Indeed, since our overseas sales are so important to the Company's global business and continued growth, much of the work done at our corporate headquarters supports our

business outside of the United States. In fact, one out of every six jobs at our global headquarters in Atlanta, Georgia is directly tied to our international business.

As an American company, Coca-Cola seeks to invest and build its business wherever U.S. law allows it to go, and currently our beverages are available in every country and territory in the world except Cuba and North Korea. The Coca-Cola system seeks an investment environment where people are thirsty, with a promise of thriving middle class growth, and with a legal and regulatory environment that is supportive of business and entrepreneurship allowing our system to function effectively and to grow. However, every country's legal and regulatory framework is constantly changing, and therefore Coca-Cola's objective is to begin building its business in a market as soon as legally possible.

Since every country is different, our local operations have the ability to adapt to each market and develop plans that fit with its level of development. However, like any business, we do face challenges, such as the quality of the water supply, the transportation infrastructure, the workforce's level of education and training, or the consistent application of the rule of law.

While the private sector can contribute to community development in many substantive ways, there remain areas where public sector financing is critical, such as creating clean water supplies that support healthy communities; creating a functioning national transportation infrastructure; or building an education or legal system that will support sustainable business growth. Governments around the world continue to play the pivotal role in their countries' development, both in mobilizing all stakeholders behind a shared vision as well as providing resources to respond to the public's expectations. The private sector works in partnership with these governments to accelerate opportunities for growth and stability.

Over many decades, The Coca-Cola Company's partnerships with the U.S. Government have allowed the Company to expand the scope and impact of our interventions, to play a positive role in contributing to local communities' development and to ensure that our work leverages the broader development initiatives financed by the U.S. Government, other donors, and local governments and institutions. Furthermore, by partnering with the U.S. Government and others in ways that complement our expertise and resources, we can be assured that our development partnerships are as impactful as possible. In short, as noted earlier, we are stronger together than we are alone.

Our partnership investment priorities are closely linked to our sustainability priorities. We know that for our business to be successful over the long-term, the communities in which we operate must be sustainable—economically sustainable with good jobs and quality beverages, environmentally sustainable with access to safe water and with strong community support networks that enable communities to respond to their biggest challenges. Investments we make in community development support our business by improving the lives and economies of our consumers.

Coca-Cola is proud to have worked with governments, NGOs as well as other private sector actors to build public-private partnerships that help address key challenges such as women's economic empowerment, water stewardship, sustainable agricultural production, education and improved medical supply chains. Partnerships are about bringing together expertise from a variety of different sources, and The Coca-Cola Company has been privileged and proud to work with the U.S. Government as well as numerous NGO partners on these initiatives, including CARE, Mercy Corps, Global Water Challenge, TechnoServe, the Millennium Challenge Corporation, the U.S. Department of State, USAID, the Bill and Melinda Gates Foundation and the World Wildlife Fund just to name a few.

Although The Coca-Cola Company is involved in countless partnerships around the world, I would like to focus on a few that illustrate our belief that we can do more good for more people when we act together than we can when working alone:

1. Project Last Mile, a partnership between the Company, USAID, the Global Fund on HIV/AIDS, Tuberculosis and Malaria and the Bill and Melinda Gates Foundation, to build supply chain and distribution capability in African Ministries of Health.
2. The Water and Development Alliance (WADA), a global partnership between The Coca-Cola Company and USAID to increase access to safe drinking water and sanitation, and to also improve water stewardship in developing countries.
3. Coca-Cola's 5by20 Initiative, a commitment to empower 5 million women economically throughout the global Coca-Cola value chain by 2020.
4. Entrepreneurship initiatives through the Coca-Cola MENA Scholars program, a partnership between The Coca-Cola Company, Indiana University's Kelley School of Business and the U.S. Department of State as well as the Company's Youth Empowered for Success (YES!) program, a partnership with Mercy Corps,

Harambee, Microsoft and the Coca-Cola Africa Foundation, which seeks to train 25,000 young people to prepare them for productive jobs across six African countries: Kenya, Uganda, Nigeria, Liberia and Tunisia and South Africa.

5. Project Unnati, a partnership to invest in improving Indian mango and orange farmers' productivity and farming techniques to produce fruit for Coca-Cola beverages.

1. Through our work on Project Last Mile, we share Coca-Cola's logistics, supply chain, distribution and marketing expertise to help African health ministries maximize their own capacity to deliver critical medicines and medical supplies to the "last mile" in remote African communities. To date, Project Last Mile has reached regions within seven countries including: Tanzania, Ghana, Ethiopia, Mozambique, Nigeria, South Africa, and Zambia. This work clearly demonstrates the value of public private partnership because through our joint work we are able to increase significantly the efficiency of the U.S. government's aid that supports the purchase of medications to treat HIV/AIDS, tuberculosis and malaria. For example, the U.S. government and other major donors, such as the Global Fund, provide the vast majority of the funding to African governments for the purchase of these critical medicines. Through the Project Last Mile partnership, we ensure that we are sharing the most up-to-date private sector models for distribution, marketing, and supply chain efficiency with African governments. We help establish systems to track out of stock products; create human resource systems that allow governments to track employees' objectives and performance, and benchmark private sector spending on third-party services to ensure optimal use of public funds.

2. Access to safe drinking water has been a significant focus of our public-private partnerships. Investments in water create a powerful multiplier effect for communities; every dollar invested generates at least a four-fold economic return to individuals and communities. Through WADA, the Water and Development Alliance, Coca-Cola is partnering with USAID to address the lack of access to safe water and sanitation that creates a significant hazard to community development. Coca-Cola is engaged in this work because access to safe water is as important for the communities where we operate as it is for our business. Without safe water, women and girls spend significant amounts of time and energy fetching water for their families, which takes them away from education and productive economic activity as well as creating other obstacles for sustainable local development. And without access to water, Coca-Cola can't make any of its beverages. WADA's 12 year public private partnership leverages the strengths and resources of both the public and private sector to maximize the returns on their development investments. Through a combined \$40MM investment, WADA is a high impact partnership improving water access and protecting watersheds through projects in 35 countries. Today, WADA is improving access to water for over 600,000 people and improving access to sanitation and hygiene to over 250,000 people. Additionally, over 400,000 hectares have been put under improved management practices through WADA interventions. In June of 2016, Coca-Cola and USAID extended this Alliance through 2021, with two additional programs in development in Madagascar and Nigeria and many more to come.

- In response to the severe safe water access challenges faced in Africa where over 300MM lack access to safe water, The Coca-Cola Africa Foundation (TCCAF) introduced its flagship program, RAIN—Replenish Africa Initiative, in 2009. To date, RAIN has worked with more than 140 government, private sector and civil society partners to support high-impact projects that have already improved the lives of nearly 3 million people in Africa through access to safe water and sanitation. We are on track to reach 6MM people by 2020. Our \$65MM investment in RAIN has attracted \$132MM from other sources including the public sector. Using the Golden Triangle partnership model, RAIN has emerged to be the largest corporate investment in water in Africa. RAIN's achievements would not be possible without our partners coupled with the Coca-Cola ecosystem that allows us to scale RAIN's work across communities in 37 African countries. RAIN will also economically empower up to 250,000 women and youth; promote health and hygiene in thousands of communities, schools, and health centers; and return up to 18.5 billion liters of water to nature and communities.

- Similarly, through RAIN, Coca-Cola has partnered with the Millennium Challenge Corporation (MCC) to better achieve our common goals around access to water and sanitation, management of water resources, empowerment of women and youth, and strengthening health systems. In this partnership, Coca-Cola brings an expertise in water resource management, data on water and environmental resources, support for entrepreneurship, and marketing and communications while MCC

brings expertise in policy reform, knowledge management, gender analysis and program development. Coca-Cola and MCC have already partnered together through the RAIN program in Cape Verde to improve water access for over 22,000 people.

- Coca-Cola also partners with other non-U.S. Government actors, such as the NGO CARE, in the WASA through Pathways partnership which focuses on integrating water smart agriculture into local practices to assist women smallholder farmers to better manage soil moisture and increase their agricultural outputs. Through this program, 14,000 women smallholder farmers will benefit from training across Ghana, Malawi, and Mali.

3. In addition to safe water access, another area of key investment for Coca-Cola is in the economic empowerment of women. Women are a positive force multiplier for communities and our business. Through Coca-Cola's 5by20 initiative launched in 2010, our company has developed and implemented programs that address barriers that prevent women entrepreneurs from succeeding in the marketplace. 5by20 is doing this by increasing access to 1) business skills training, 2) financial services and assets and 3) networks of peers or mentors. We are working with key partners to build on best-practices in the Coca-Cola business system worldwide and on the valuable insights and programs our partners bring to the table, encouraging innovation, scale-up and replication. By the end of 2016, more than 1.7 million women were impacted by programs implemented across 64 countries. To be clear, Coca-Cola is empowering women, helping them to earn more money through the work they do, but we are also helping expand the Company's business as part of this work whether it is by opening more retail venues or distribution centers, or bringing our agricultural ingredients closer to our production centers.

- A good example of this work is our partnership in Nigeria to help address the large numbers of young women who do not get a formal education and face barriers to developing their own economic activities. We are working with the UK Department for International Development, Mercy Corps, the Nigerian Bottling Company, the MasterCard Foundation and the Nike Foundation, in a program entitled 'Educating Nigerian Girls in New Enterprises' or ENGINE. The program is an initiative to improve the learning outcomes and economic status of 18,000 marginalized adolescent girls in Nigeria aged 16–19.

- i. In the ENGINE evaluations, 44% of surveyed ENGINE girls have started their own business and 98% of girls said they now feel more confident because of their participation in the program.

- ii. An external midline survey revealed that 64% of ENGINE girls began participating in savings groups, as compared to the 13% reported at baseline.

- iii. In the northern state of Kano, 100% of surveyed gatekeepers from ENGINE communities were willing to reassign household tasks to provide time for girls to attend school.

4. Through the Coca-Cola MENA Scholars program, the Company is delighted to work with the U.S. Department of State to help create the next generation of entrepreneurs across the Middle East, North Africa and the Near East. More than 500 college students have participated in the program, including the latest class of 100 scholars set to arrive in Indiana next month to develop business plans for their social or business entrepreneurship ideas. Over the last five years, Moroccan, Tunisian, Egyptian and Palestinian students have worked as interns at the Company's global headquarters. Scholars have gone on to lead their own businesses, work for our bottling partners or receive prestigious scholarships, such as the Fulbright scholarship.

5. Project Unnati: In the Chittoor district of Southern India, through Project Unnati (mango), we're partnering with local experts, including our supplier Jain Irrigation, to train thousands of mango farmers in new methods like ultra-high density planting, helping them increase the quality and quantity of the fruit they grow while also improving their water use ratios. Started in 2011, the project aims to harness the increased productivity potential of mango farms, allowing owners of small-sized farms to increase crop yields and improve their livelihoods. To date, we've trained 18,000 mango farmers, including 3,300 women, established 200 demonstration farms, and increased productivity by 200%.

In 2016, we initiated Project Unnati Orange with the Government of Maharashtra state and Jain Irrigation to set up a juice manufacturing facility and to support local farmers in the cultivation of Indian oranges through the adoption of ultra-high density planting techniques to boost orange yields. Coca-Cola's global system and far reaching supply chain provide many opportunities to improve agricultural sustainability, and our purchasing power and long-standing relationships with sup-

pliers and processors provide an opportunity to drive a positive change in practices and sustainability outcomes at scale.

The most challenging aspect of working on public-private partnerships with the U.S. Government has been the time it takes to go from identifying an opportunity to implementing it on the ground. However, the U.S. Government is not unique in this respect. When The Coca-Cola Company works with other governments around the world, we face similar timing challenges. In addition, the U.S. Government has made improvements that create greater flexibility, speed and willingness to collaborate. For example, The Coca-Cola Company works both with USAID's dedicated partnership office as well as the USAID Global Development Lab, and these efforts have greatly improved the efficiency of our interactions.

In general, governments often have legislative mandates on which types of development programs can be used for specific funding sources. In the development world, government agencies often refer to these legislative mandates as the "color of the money," which limits how that money can be spent. For example, some funding could be specifically mandated to treat specific diseases, and the rigidity of these mandates can make it challenging at times for companies. However, to date, we have been able to overcome these challenges in partnership with the U.S. Government agencies involved.

As public development assistance funds continue to face budgetary hurdles, it is important that the private and public sectors coordinate more closely to achieve mutual development goals. Coca-Cola has learned that its local business is only as sustainable as the community it serves. Programs such as Project Last Mile and RAIN offer a clear model for future collaboration that bases aid in programs valued and supported by both business and civil society actors. Our focus is continuous improvement, measuring results and capturing lessons that will allow us to take these partnerships to even greater scale for shared benefit of all.

Thank you.

The CHAIRMAN. Thank you.

STATEMENT OF KELLY GOODEJOHN, DIRECTOR, ETHICAL SOURCING, GLOBAL SOCIAL IMPACT AND PUBLIC POLICY, STARBUCKS COFFEE COMPANY, SEATTLE, WASHINGTON

Ms. GOODEJOHN. Chairman Corker, Ranking Member Cardin, and members of the committee, thank you for inviting us today. It is a pleasure continuing our strong relationship with this committee. On separate occasions, we have had the honor of welcoming members of this committee and staff to our Farmer Support Center in Rwanda to learn more about the work we are doing in development.

Each day at Starbucks, we ask ourselves what is the role and responsibility of a for-profit public company. And I hope my testimony today will provide a glimpse into how we answer that question.

With over 11 years at Starbucks and working 20 years in supply chains, I have seen firsthand the impact that development work can have on rural communities. And we at Starbucks know that our success and growth in the United States depends on the success of coffee farmers abroad. Coffee is the second most traded commodity after oil, and 25 million farmers rely on income generated from growing coffee.

Core to our support for coffee farmers is our open-source agronomy commitment. Starbucks currently operates eight farmer support centers around the world from Indonesia to Rwanda to Mexico. And I would like to invite the founders of Blessed Coffee to spend some time with our farmer support center in Ethiopia.

Our open-source agronomy approach provides free access to top knowledge to farmers from our agronomists, including information on new tree varieties that are disease-resistant and good soil man-

agement techniques, all with the purpose of raising the profitability of farmers so that we can ensure that there is a strong future of coffee for everyone.

Starbucks purchases 3 percent of the world's coffee, and while coffee is grown in some of the most beautiful locations, they are also some of the most challenging, often with war-torn pasts. But we see coffee as a stabilizing force, one that can create prosperity and economic stabilities in those areas.

Coffee farmers in Colombia, as an example, really faced challenges in maintaining their crops during the 50-year civil war. Through an alliance with Starbucks and USAID, we are working with farmers helping them refocus on their crop to improve the quality. And therefore, these farmers now have access to a global market, including Starbucks, and creating economic stability in those areas.

In addition to Colombia, we also source from other post-conflict parts of the world like the Democratic Republic of Congo. In 2012, the U.S. Government invested in the coffee sector to revitalize a once vibrant coffee sector after decades of violence. As a result of this effort and creating a sustainable and resilient supply chain, Starbucks made a 5-year purchasing commitment to purchase coffee from this region, and as a result, Congolese farmers are now benefiting through higher incomes from coffee.

In addition to using our green coffee purchases as a local economic boost, we also leverage the Starbucks Foundation which really looks at and invests in critical needs for communities, whether it is access to water, sanitation, health, or education.

Additionally, we have established a \$50 million global farmer fund, and this is a fund that gets low interest loans to farmers. And we would like to scale this effort by partnering with others such as the Inter-American Development Bank, the IFC, the U.S. Government, Root Capital, even our competitors to ensure that farmers have access to financing and can reinvest in their crops.

In summary, Starbucks understands that our success is linked to a very resilient and prosperous supply chain. And, therefore, we will continue to make investments by providing open-source agronomy, access to funding, financing, and partnering with government entities and others.

And in closing, I would like to share a story of female farmer, Jackie, that I spent some time with last year in Rwanda. For someone who should have low levels of hope, given the atrocities that she personally and her country have faced, she is a woman of remarkable strength. And she is working with our farmer support center in Kigali to improve the yield of her coffee, to improve the quality, and therefore her income.

She also had recently received a cow through one of our nonprofit partners. And this cow will provide food security, nutrition, and opportunity for her and her family for years to come. And while Jackie was not looking for charity, she was looking for a way to support her family, and we were very proud to play a small part on her journey.

We look forward to continuing our partnership with others, including this committee, to answer the question that we ask our-

selves each and every day. What is the role and responsibility of a for-profit public company?

Thank you.

[The prepared statement of Ms. Goodejohn follows:]

PREPARED STATEMENT OF KELLY GOODEJOHN

Chairman Corker, Ranking Member Cardin, and members of the Committee, thank you for inviting us today. Today's hearing is the latest chapter of our strong working relationship with this committee. Last year at our Farmer Support Center in Rwanda we had the pleasure of welcoming a bipartisan Congressional Delegation which included two Members of this committee. On another occasion, we hosted a senior member of your staff and provided her with an in-depth look into our development work.

Each day at Starbucks we ask ourselves, "What is the role and responsibility of a for-profit, public company?" I hope my testimony today will provide a glimpse into how we answer that question.

With over 11 years at Starbucks and 20 years working on supply chains, I have seen first-hand the impact that development has on rural communities and I know that Starbucks growth and success in the United States depends on the success of coffee farmers abroad. Coffee is the second most traded commodity after oil and 25 million farmers around the world rely on income generated from growing coffee. Coffee is grown in challenging regions, often with war-torn pasts but we have seen coffee as a stabilizing force that provides prosperity and economic stability.

Starbucks purchases 3% of the world's coffee, and for over 40 years we have partnered with others, like Conservation International and the United States Government by investing in coffee growing regions because it is good for business. If we have a strong and resilient supply chain, we have limitless opportunity to grow. In fact, we plan on opening 3400 new stores and hiring 70,000 people in the U.S. by 2020.

This testimony discusses four of our key initiatives:

1. 100% Ethically Sourced Coffee: Starbucks is dedicated to helping farmers overcome the challenges facing coffee communities. We are committed to buying 100 percent ethically sourced coffee, in partnership with Conservation International through our C.A.F.E. Practices program, an industry-leading set of guidelines and verified by independent third-party organizations.

2. Open-Source Farmer Support Centers: To improve productivity and sustainability, Starbucks shares our research and resources through our Farmer Support Centers—located in coffee-producing countries around the world. They're open to farmers regardless of whether they sell to us. Thanks to the support of our customers, we're also donating millions of disease-resistant trees to help farmers fight threats like coffee leaf rust.

3. Global Farmer Fund: Through our Global Farmer Fund program, Starbucks is investing \$50 million toward financing for farmers, allowing them to renovate their farm or pursue more sustainable practices.

4. Strengthening Coffee Communities: Working through the Starbucks Foundation, we are making grants in rural coffee communities to improve access to clean water, support education and improve food security.

Through these initiatives, Starbucks believes it can increase the prosperity and resiliency of one million farmers and workers who grow our coffee in coffee communities around the world and, in turn, ensure a strong supply chain as we, a proud U.S. company, continue to grow.

STARBUCKS COFFEE HERITAGE

Every day, we go to work hoping to do two things: share great coffee with our friends and help make the world a little better. It was true when the first Starbucks opened in 1971, and it's just as true today. Back then, the company was a single store in Seattle's historic Pike Place Market. From just a narrow storefront, Starbucks offered some of the world's finest fresh-roasted whole bean coffees. Today, we have over 22,500 stores all over the world, which serve as neighborhood gathering places for meeting friends and family.

We've always believed in serving the best coffee possible. It's our goal for all of our coffee to be grown under the highest standards of quality, using ethical sourcing practices. Our coffee buyers personally travel to coffee farms in Latin America, Afri-

ca and Asia to select high quality beans. And our master roasters bring out the balance and rich flavor of the beans through the signature Starbucks Roast.

According to a National Coffee Association (NCA) economic study, coffee is the most commonly consumed beverage in the U.S. (even more than tap water). But it turns out that coffee touches communities across the country in amazing ways, from generating tax dollars to creating jobs, from the supermarket to the dairy farm. According to the NCA recent economic study:

- The total economic impact of the coffee industry in the United States in 2015 was \$225.2 billion
- Coffee-related economic activity comprises approximately 1.6 percent of the total U.S. gross domestic product
- The coffee industry is responsible for 1,694,710 jobs in the U.S. economy
- Consumers spent \$74.2 billion on coffee in 2015

INITIATIVE 1: COMMITMENT TO 100% ETHICALLY SOURCED COFFEE

The cornerstone of our ethical sourcing approach is Coffee and Farmer Equity (C.A.F.E.) Practices, one of the coffee industry's first set of sustainability standards, verified by third-party experts. Developed in collaboration with Conservation International (CI), C.A.F.E. Practices has helped us create a long-term supply of high-quality coffee and positively impact the lives and livelihoods of coffee farmers and their communities. C.A.F.E. Practices includes guidelines in four key areas: quality, economic accountability and transparency, social responsibility and environmental leadership. Taken together, the standards help farmers grow coffee in a way that's better for both people and the planet. Today, C.A.F.E. Practices includes over 300,000 coffee farmers in 25 countries that are committed to improving working conditions and spanning more than 170,000 hectares of land committed to sustainable growing practices.

Starbucks is proud to have reached the milestone of 99 percent ethically sourced coffee. However, we are not done yet. We will continue to work with the last one percent to bring producers along on this journey with us, like we have done with our Lake Kivu supply chain in the Democratic Republic of Congo, where we are working with farmers to expand our ethical sourcing efforts. Our work with Eastern Congo Initiative (ECI) and its Congolese partners, including USAID, aims to make Eastern Congo a reliable source of high quality Arabica coffee, and to link Congolese farmers to the international marketplace. The Starbucks Foundation has also partnered with ECI to support college scholarships for young women studying agriculture and has invested in local Congolese organizations creating jobs for disadvantaged young adults and former child soldiers in coffee-growing communities.

INITIATIVE 2: OPEN-SOURCE FARMER SUPPORT

Farmer Support Centers

For the last decade, we have been taking an open-source approach with our latest research from places like our Global Agronomy Center in Costa Rica, and sharing our tools, best practices, and resources with growers around the world—whether they sell to us or not.

Today's farmers are facing constant challenges and Starbucks is committed to helping them. Starbucks currently operates nine Farmer Support Centers in key coffee producing countries around the world, from Costa Rica to Rwanda. There, farmers get free access to the latest findings of our top agronomists, including new varieties of disease-resistant trees, and advanced soil management techniques. The goal is to build upon traditional growing methods to help farmers continue to improve both the quality of their crops, and their profitability, ensuring the future of high quality coffees for everyone.

Coffee farmers in Colombia, for example, faced challenges maintaining their crops during the country's 50-year civil war. As the largest purchaser in the world of premium Arabica coffee from Colombia, Starbucks is committed to the livelihoods of Colombian coffee farmers. In 2012, Starbucks opened a Farmer Support Center in Manizales, Colombia, to deliver training and agronomy support to Colombian coffee farmers. Two years later, Starbucks forged an alliance with the U.S. Embassy, through USAID, to help farmers focus on their crops with an emphasis on coffee quality. Through this partnership, Starbucks has been able to reach out to more farmers and build up economic stability in the region. As a result, Starbucks became a major buyer of this coffee and has allowed greater market access for this supply chain with other international companies.

"[Previously], coffee farmers were unable to travel in certain areas held by guerrilla forces, which prevented them from obtaining the technical assistance necessary

to maintain the health of their crops,” said Alfredo Nuno, general manager, Starbucks Farmer Support Center in Colombia. “Through Starbucks work with USAID, we have been able to help 17,500 farmers improve their crops.”

“The quality of Colombian coffee is one of the best in the world and the idea behind this public-private alliance with Starbucks is to improve its quality even more, to be able to produce more coffee to export and thus contribute to the development of rural areas in Colombia,” said Kevin Whitaker, U.S. Ambassador to Colombia.

The initial task of the Starbucks and USAID collaboration was to promote a soil analysis program. “Most farmers here do not use soil analysis because it’s cost prohibitive,” Nuno said. “By offering the service to them free of charge, they were able to learn so much more about their crops.” Starbucks agronomists helped farmers learn how to collect soil samples, which were shipped to a local laboratory for examination. More than 13,000 farmers submitted samples for evaluation. “It took us about a year to collect all of the samples,” Nuno said. “We learned that 85 percent of them had similar needs, so we enlisted the support of a local fertilizer manufacturer to develop a formula addressing the nutrient deficiencies of the soil.” Farmers who provided the remaining 15 percent of the soil samples received recommendations for existing fertilizers to use or how to build their own formulas to support their crops.

Starbucks also conducted a series of workshops to educate farmers about agronomy and maintaining quality to sell coffee at a premium price. Nearly 8,500 farmers were trained at the 349 workshops organized over the past two years.

Also, proper treatment of coffee processing waste water is key to avoid pollution and the consequent acidification of the soil in the coffee plots. We provided farmers with coffee processing waste water treatment systems (SMTA’s methanogenic generators units for waste water treatment), namely those with high volume of coffee cherry processing, or group/common use wet mills. Starbucks Farmer Support Center in Colombia, using the funds made available by the USAID GDA, provided the full amount of all the equipment free of charge to the producer, leaving the preparation and conditioning of terrain and any additional conditioning to the farmers receiving this equipment. The Starbucks Farmer Support Center is not just organizing the installation of the units, but also training the coffee farmers on how to use them in an appropriate manner.

Starbucks remains committed to continue our follow up and assistance to the coffee farmers participating in this program. We believe that the best way to ensure a proper follow up and a true sustainable coffee farming is to participate in the C.A.F.E. Practices program during the lifetime of this agreement, 8,389 coffee farmers joined successfully the C.A.F.E. Practices program. We continue to work with more coffee growers to assist them in becoming better farmers. Additionally, suppliers such as CENCOIC and FNC Cauca Committee were able to sell 5,225 bags (365 metric tons) of coffee produced by beneficiaries of this program during 2016 season. This represents the successful integration of the value chain that started with the USAID/Starbucks GDA productivity improvement program.

In addition to the work underway in Colombia, our other Farmer Support Centers support the unique needs of coffee farmers in the country. Locations of Starbucks Farmer Support Centers include:

- San Jose, Costa Rica—opened 2004 (relocated to Hacienda Alsacia in 2016)
- Guatemala—opened 2011 (satellite)
- Kigali, Rwanda—opened 2009
- Mbeya, Tanzania—opened 2011
- Addis Ababa, Ethiopia—opened 2014
- Manizales, Colombia—opened 2012
- Yunnan, China—opened 2012
- Alajuela, Costa Rica Farmer Support Center and Global Agronomy Research & Development Center—opened 2013
- North Sumatra, Indonesia—opened 2015
- Chiapas, Mexico—opened 2016

Hacienda Alsacia: A Global Agronomy and Research and Development Center

In addition to the Farmer Support Centers, Starbucks is restoring a 240-hectare farm located on the slopes of the Poas Volcano into a global agronomy and research and development center. The work happening on this farm will enable the company to provide hands on learning for farmers to expand its Coffee and Farming Equity Practices (C.A.F.E.), the innovative ethical sourcing model developed in association

with Conservation International to ensure coffee quality while promoting social, environmental and economic standards.

In addition to supporting resiliency for farmers with techniques that can be implemented around the world, this farm will also influence the development of coffee varieties and provide new insights on soil management practices.

“This investment, and the cumulative impact it will have when combined with programs we have put into place over the last forty years, will support the resiliency of coffee farmers and their families, as well as the one million people who represent our collective coffee supply chain,” says Howard Schultz, Starbucks chairman. “It also opens up an opportunity for Starbucks to innovate with proprietary coffee varieties that can support the development of future blends.”

Work at the farm will include the development of hybrid coffee tree seedlings at the farm’s nursery in collaboration with industry experts to directly address the increased risks to the coffee industry, such as incidences of coffee leaf rust or “roya” in parts of Latin America. In 2015, Starbucks donated thousands of seedlings from five different coffee tree hybrids developed through its research to the Costa Rican Coffee Institute (ICAFE).

Donating 100 Million Trees

To address critical needs in the coffee sector, Starbucks announced that it will make sure 100 million healthy coffee trees get into the hands of coffee farmers that need them by 2025. This effort is part of the company’s ongoing commitment to provide comprehensive support to farmers around the world which includes open-source agronomy research, farmer financing and access to information.

This expanded commitment builds on Starbucks One Tree for Every Bag initiative, which launched in September 2015, ensuring that a coffee tree is planted for every bag of coffee purchased in a participating U.S. stores. The seedlings will replace trees that are declining in productivity due to age and disease, such as coffee leaf rust. More than 25 million trees have been donated thus far with the initial distribution of 10 Million having started in the summer of 2016.

Having already built a successful tree distribution network and as one of the largest purchasers of Arabica coffee, Starbucks can now integrate the purchase of healthy, rust-resistant coffee trees into its green coffee buying program. By working with long-term suppliers, the company will seamlessly ensure that a total of 10 Million coffee tree seedlings per year are available to farmers in need.

Going forward, the company will continue its relationship with supplier nurseries set up in Mexico, Guatemala, and El Salvador as well as look to develop new supplier nurseries in additional coffee regions that would benefit from re-planting. By integrating this into their purchasing behavior and evolving their current initiative, Starbucks expects at least 100 Million trees to get to farmers by 2025. Not only will this ensure that farmers get trees at a critical time, but it will help stabilize the income of thousands of farming families.

This effort will have an amplified effect when added to the work of The Sustainable Coffee Challenge that recently announced an industry wide effort to replant 1 billion coffee trees, to ensure positive outcomes for both productivity and the environment. The Sustainable Coffee Challenge is a joint initiative of over 60 partners including corporations, governments, NGOs and research organizations working together to make coffee the first sustainable agricultural product. A key tenet of the Challenge is to encourage partners to tackle some of the most pressing challenges facing the coffee sector—both individually and via collective action. This replanting effort will be one of the organizations Collective Action Networks and, in addition to Starbucks, is supported by non-profits, government agencies and coffee roasters.

INITIATIVE 3: \$50 MILLION GLOBAL FARMER FUND

The Starbucks Global Farmer Fund is a \$50M impact investment commitment to provide financing to coffee farmers. Since many farmers lack the ability to secure traditional financing through commercial banks, this program fills a gap in financing needs around the world and enables farmers to reinvest in their small businesses. Through these loans, farmers are able to support agronomy, restoration and infrastructure improvements. This work directly influences coffee quality, sustainability and overall profitability for the entire specialty coffee industry.

We began investing in farmer loans in 2000, providing access to credit at reasonable terms is a critical aspect of our farmer support model. By investing in farmer loans, we’re helping cooperatives manage risk and strengthen their businesses. Our loan partners made loans in 13 countries in FY16—including Peru, Nicaragua, Honduras, Rwanda, Guatemala, Mexico, Costa Rica, Colombia, Kenya, Uganda, The Democratic Republic of Congo, Tanzania and Indonesia—to suppliers we both buy from as well as ones we do not. Loan recipients also receive technical assistance in

the form of agronomy best practices, business planning and price risk management training.

Starbucks has also partnered with Root Capital, USAID and other coffee companies to create a \$23M Coffee Farmer Resilience Fund that will provide financial assistance to more than 40,000 farmers combating the devastation of coffee leaf outbreak in Latin America. The Fund will:

- Leverage \$8 million in funds from USAID and partners, including Cooperative Coffees, DOEN Foundation, Keurig Green Mountain Coffee, Open Road Alliance, and Root Capital, to provide on-farm, agronomic trainings on resilient practices to coffee farmers and farmer organizations in Mexico, Guatemala, Honduras, El Salvador, Nicaragua and Peru.
- Unlock \$15 million in investment capital for Root Capital, including \$3 million in new investment from Starbucks, through a USAID credit enhancement for long-term financing for rehabilitation of disease-affected fields and short-term financing to stabilize coffee supply chains in Latin America and the Caribbean.
- Enable participating coffee roasters to negotiate the cost of combatting coffee rust into their purchase contracts with farmer organizations to ensure sustainable solutions rather than one-time charitable gifts. The pooled funds will provide technical assistance, leading to sustainable supply chains and increased farmer incomes in the short and long term.

Starbucks has partnered with others to specifically support farmers in Nicaragua. The Inter-American Development Bank (IDB) will provide long-term loans to help Nicaraguan coffee farmers combat the devastating effects of the coffee rust fungus, which has swept through Central America, crippling production and threatening the livelihoods of millions who depend on the coffee industry. The project is a partnership between the IDB, Exportadora Atlantic (a Nicaraguan subsidiary of the coffee trader Ecom), Starbucks Corporation, the International Finance Corporation (IFC) and the Global Agriculture and Food Security Program (GAFSP). This project will help approximately 550 farmers, many of whom work less than 12 hectares, replant and renovate their farms. It will provide them with new coffee varieties that are resistant to the fungus and technical support to improve their agricultural practices.

INITIATIVE 4: STRENGTHENING COFFEE COMMUNITIES

Starbucks has a long history of working with coffee and tea communities to address their most critical needs such as access to water, sanitation, health and education. The Starbucks Foundation awards origin grants to support smallholder farming families in coffee and tea-growing communities. Since 2014, these grants have reached approximately 47,000 direct and indirect beneficiaries. Our grantees are working in remote and rural regions in developing nations to reach these families.

NCBA CLUSA, as an example, was the recipient of a \$750,000 grant from Starbucks Foundation to support coffee farmer livelihoods by providing clean, abundant and accessible water to 25,000 people in 90 Arabica coffee-producing villages in Sumatra, Indonesia. Despite an abundance of surface and ground water in the Sumatran highlands, close to half of the population accesses drinking water from unsafe sources, resulting in a high prevalence of water-borne diseases, such as diarrhea and cholera. According to the government's Ministry of Health, some 30 percent of Indonesians suffer from water-borne disease every year. The shortage of safe water also impacts women and girls, who are often tasked to collect and carry water long distances.

Lack of accessible, clean water also compromises coffee quality in Indonesia. Much of the coffee grown in Sumatra is pulped at the village level and sold in a "wet hulled" state. Farmers who don't have access to clean water recycle the water they need for pulping, leading to bacterial contamination of the hulled coffee and off-flavors.

The three-year project, called Cooperative Water and Sanitation for Health (CoopWASH), will install gravity-fed and deep-well water systems that are expected to provide new sources of water for 80 percent of community members and reduce the workload of women and girls by 75 percent. CoopWASH will significantly increase the amount of household water available for drinking, cooking, hand and dishwashing, sanitation and coffee pulping. The project will also provide health clinics and schools in the region with clean water sources.

Already, NCBA CLUSA and its local implementation partners, including the Baitul Qiradh Baburrayan Cooperative and Sumatra Specialty Coffee, have completed six of the water installations funded by the grant—three each in the Indonesian provinces of North Sumatra and Aceh. To embed sustainability into the

project, NCBA CLUSA is also developing village water management committees and providing community education on good water use and hygiene practices. Water projects often fail because communities are technically or financially unequipped to maintain complex infrastructure, but the only ongoing maintenance CoopWASH systems require—detailed in a community water management plan—is cleaning the spigots and ensuring good drainage to avoid standing water.

Another example is a three-year, \$500,000 grant to World Neighbors. This project will improve the lives and livelihoods of 4000 marginalized rural ethnic families living in 24 coffee-growing communities in the Atitlan and Ch'orti regions of Guatemala through improving community health, nutrition, and water, sanitation and hygiene practices. In both regions, 98 percent of the population is formed by native ethnic groups, and there is a high rate of poverty. As a result of this grant, nearly 4000 people have access to clean water through the installation of chlorination system tanks and clean sanitation through the installation of over 300 latrines for schools and families.

These grants are part of Starbucks comprehensive approach to ethical sourcing. To date, Starbucks has contributed \$15 million in social projects to support farming communities around the world. In 2014, the Starbucks Foundation granted more than \$3.7 million to multiple organizations who help address relevant needs in specific communities. Each investment is targeted to create a sustained impact in a local community developing the necessary infrastructure to help support systemic, long-term change.

The following organizations are current recipients:

- *Lutheran World Relief*
Location: Colombia
Focus: WASH, coffee wet mills, diversified agro-forestry systems
- *Eastern Congo Initiative*
Location: DRC
Focus: Coop management, coffee washing stations, at risk youth
- *Mercy Corps, CHAI V Project*
Location: India, Guatemala
Focus: Healthcare, nutrition, economic development in tea growing communities
- *National Cooperative Business Association (NCBA)*
Location: Indonesia
Focus: Providing clean water to 27,000 people in 90 Arabica coffee producing villages
- *Heifer International*
Location: Tanzania
Focus: Improving sustainable livelihoods, quality of life for 5,000 smallholder coffee farmers in Mbozi district
- *Mercy Corps (BUILD project)*
Location: Colombia
Focus: Creating more resilient communities with improved food, security, land tenure, and sustainable water management for 1,022 families in Southern Tolima
- *Seeds for Progress*
Location: Nicaragua
Focus: Increasing quality of education in primary, secondary, schools in coffee growing communities in Northern Nicaragua
- *World Neighbors*
Location: Guatemala
Focus: Improved community health, nutrition, hygiene, water and sanitation practices of 4,000 marginalized rural families in 24 coffee-growing communities in Atitlan and Ch'orti.
- *World Coffee Research*
Location: Guatemala
Focus: Increasing farmer incomes through introduction of new rust resistant, high yielding F1 coffee hybrid varieties.
- *Conservation International*
Location: Mexico
Focus: Implementing a net-positive-impact demonstration that delivers & quantifies positive outcomes for coffee farmers, communities, and water quality in Oaxaca, Mexico.

COLLABORATING WITH INDUSTRY TO SCALE OUR IMPACT

We know that the most pressing issues in coffee can't be solved by one company alone, and that the best solutions require everyone coming together to collaborate in bringing about a better future for farmers. Our journey of ethical sourcing requires looking beyond our own supply chain. After achieving our 99 percent ethically sourced milestone, Starbucks asked "what's next, and how can we work with the whole sector to get to 100 percent sustainable coffee?"

Starbucks is a founding member, alongside a growing coalition of industry leaders, of the Sustainable Coffee Challenge, a call to action led by Conservation International to make coffee the world's first sustainable agriculture product. The Sustainable Coffee Challenge is convening the sector to sustain the future supply of coffee while ensuring the prosperity and well-being of farmers and workers and conserving nature.

The Sustainable Coffee Challenge, is a joint initiative of over 60 partners working together to make coffee the world's first sustainable agricultural product. Members include coffee producers, retailers, traders, roasters, importers, industry associations, governments, donor agencies and other non-governmental organizations (NGOs) that are building a sustainability roadmap for achieving a fully sustainable coffee sector.

In 2017, the Sustainable Coffee Challenge launched its first action networks to coordinate industry action and investment. By launching Collective Action Networks the Challenge will advance sharing of experience and collaboration to significantly advance our progress toward sustainable coffee production. One of the first Action Networks tackles the issue around aging trees and a focus to support tree replacement or rehabilitation. Starbucks recent commitment to provide 100 million trees to farmers by 2025, discussed above, has a cumulative effect when added to the work of The Sustainable Coffee Challenge who recently announced an industry wide effort to re-plant 1 billion coffee trees.

CONCLUSION

Starbucks success is linked to the success of the global farmers who grow coffee. Starbucks is taking a long-term view to ensure the overall sustainability of the coffee industry through our generational commitments to improve and strengthen coffee communities through sharing technical assistance, providing low interest rate loans, investing in access to water, supporting education and health and promote sustainable agricultural practices. Coffee farmers will only continue growing coffee if they can support their families.

How does this relate to U.S. poverty-focused foreign assistance? Our answer is that such assistance, in conjunction with private partnerships, is in the U.S. interest because it helps engender goodwill toward the U.S. and it helps create global stability by empowering people with economic opportunity.

Empowerment is a key to the Starbucks mission and our partnership with USAID. Together we empower small farmers—many of whom are women—by training them to develop their coffee crop in a sustainable manner and then get it to market. For example, in the Democratic Republic of Congo (DRC), we have partnered with USAID and the Eastern Congo Initiative (ECI) to help reinvigorate the coffee market in that country. As a result of our partnership, we have helped triple the income of as many as 5,000 Congolese farmers. Likewise, we are linking farmers to the global trading system in neighboring Rwanda. In Colombia we are working with USAID to teach farmers how to conduct soil analysis, as a means of enhancing the quality of their coffee crop. In Nicaragua we partner with USAID on a farmer loan program that provides seed money to rural communities. These are just a few of numerous examples.

The world is a volatile place. However, we have witnessed firsthand how public-private partnerships, like those between Starbucks and USAID, help empower small farmers with economic opportunities they might not otherwise see. We know that an investment in rural coffee communities means strong economic opportunity for the millions of farmers who rely on coffee for their income and enables Starbucks to pursue our growth trajectory because of the availability of high quality coffee. We are proud to work directly within our supply chain and see firsthand the difference that coffee can make in the lives of so many. And if you want to see the results for yourself, then you need walk no further than the Starbucks on the House side, where you will find a multitude of coffee choices from our small farming initiatives around the globe.

Thank you for the opportunity to testify on this important topic. We look forward to continuing our partnerships with others, including this committee, to answer the

question we ask ourselves each day: "What is the role and responsibility of a for-profit, public company."

The CHAIRMAN. Thank you all for your testimony. I have to believe anybody listening to this would want, as a big part of what we do, to ensure that companies like your all's are able to do business all around the world. My sense is there are very few Chinese or Russian companies that look at things in the same manner that you do. And I know you all probably operate in those countries. But we thank you so much for being here.

I would just love to hear whether you look at investments in some of the places that you are talking about today as something that is primarily corporate, social responsibility, something you are committed to do as a global citizen, whether it is about developing a business and customer base for the future, or both. And if the three companies could just briefly respond to that, I would appreciate it.

Mr. MACNEE. Certainly. For us it is both, and it does not really work if it is two separate objectives. We think that sustainability requires profitability, which should not be too controversial. But without some sort of economic model, without some sort of sustainable economic model, we are talking about philanthropy, which is generally smaller and less certain. So for us, it is completely tied. And while we are having trouble figuring out economic models that work at the beginning of these projects, we think in the long term or the very long term, it will provide some kind of payback.

The CHAIRMAN. Would the answers from the other two be similar to that?

Mr. GOLTZMAN. Mr. Chairman, absolutely. I mean, we have moved beyond corporate responsibility to what we call shared value. So it is creating value both for the community but also creating value that is going to help the long-term sustainability of our business as well.

The CHAIRMAN. If you could—I have a sense I know Starbucks is going to say yes. What are some of the issues that inhibit your ability to actually go down this route in many of the countries that you are trying to do business in? Why do you not answer first, Kelly?

Ms. GOODEJOHN. Thank you for the question, Senator.

You know, I think the only limiting factor is a small sense of stability that we can go in and make a difference. And I think that is where, as an example, working with USAID in Colombia has been really a great partnership. It was a conflict area. We were able to go in there having the U.S. alongside us to build up the economy in that area and the stability in that area, which is a win-win for both. It is a win for Starbucks. It is a win for that area.

The CHAIRMAN. As I have traveled, as many of us have, around the world, so many of our ambassadors tell me that so much of what we have done has been sort of a Cold War model of buying influence. And one of the things that we need to do is really promote the ability of companies like the three that are here to do business because it does create, as they have just mentioned, sustainable opportunities where you really create jobs and opportunities. And, obviously, people there understand the way we do busi-

ness, which is helpful to their own culture. So I do hope as a part of any revamp that that is a big part of what we do going forward.

Traditionally U.S. food aid has been delivered through bags of U.S. commodities that often take months to transport to beneficiaries and undermines local markets. Senator Coons and I saw this in Uganda recently where it takes 6 months in many cases for food aid to get there.

Mastercard's partnership with USAID provides food assistance more quickly and efficiently through market-based solutions like debit cards and electronic transfers. How does this partnership move beyond the emergency and into developing livelihoods, which is what we would all like to see happen, and prosperity for the beneficiaries? And I am going to go ahead and add on critics often say that a market-based solution might create an opportunity for diversion and fraud. And have you found that to be the case?

Mr. MACNEE. In reverse order, actually the opposite. Electronic commerce provides great transparency, and it is one of the best ways to fight fraud. So many countries around the world have found that there is an enormous benefit from removing assistance from cash and paper protocols. India did a study that showed something like 10 percent of the government-to-citizen benefits was saved through electronic transfer, one of the reasons India is trying to move to a cashless society. So transparency, efficiency is very much part of what we are doing.

In terms of American foodstuffs, that can happen as well. But in a crisis situation, it is really the first 72 hours that are critical. And I think digital delivery of aid is simply faster and more efficient.

The CHAIRMAN. And it actually promotes local economy. Does it not? I mean, people are actually buying from those regions which generates sustainability from the standpoint of them being able to take care of themselves over the longer term. Is that correct?

Mr. MACNEE. That is correct. And then if the infrastructure remains, there can be a great economic impact as well.

The CHAIRMAN. And just as an editorial comment, I cannot imagine anything more destabilizing than the monetization that we do where we basically ship commodities over, ask NGOs to sell it out on the marketplace at 50 cents on the dollar, basically destroying the local market in order to create cash. I mean, is there anything more back-ended, foolish, silly than monetizing commodities in an area where you are trying to stimulate growth? You do not have to answer that.

[Laughter.]

The CHAIRMAN. Senator Cardin?

Senator CARDIN. And I applaud the work that our chairman has done and Senator Coons has done in modernizing our food aid.

It does create a challenge and that is to get political support because if you have commodities that you are using—the farm program, for example, has benefited by it. But that is an issue that we have to deal with in our political system.

The CHAIRMAN. If I could, since you brought it up. It is less than one-half of 1 percent of all farm exports. And what I have found—and please stop the clock, not to use his time. What I have found is when local farmers—I know back home in Tennessee, when I

shared with them what they are doing, they are aghast. They have no idea that there is a farm lobby up here that is causing their commodities which matters nothing to them—matters nothing to them—relative to their own economic benefit. They are shocked by it. And I think if we would just talk to local farmers around the country or farmers in our home States, they would revolt against this practice.

But anyway, put time back on the clock. Thank you for the advertisement.

Senator CARDIN. No, thank you. We were proud of the work that we did together on that, and I agree with you.

Today I think U.S. development assistance, foreign assistance enjoys much more political support than it did a couple decades ago. So I think the public understands the importance. And the testimony here today just underscores a point that this committee has been very strong about, and that is, as we conduct our foreign policies, good governance, human rights, anticorruption, democratic institutions need to be the framework in which we engage the international community because, as you talk about Colombia, Colombia is a country that had a tradition of a democratic system. And it allowed it to resolve its conflict, and hopefully the peace process is moving forward. And what you have been able to do is give the economic pinning so that the unrest will not create a vacuum where extremists could come in.

And today I doubt any one of the three companies here are happy about what is going on in Venezuela. You cannot expect a company to go into that environment where you are questioning not only your return on investment but the safety of your people.

So our government has a strong obligation to help stabilize countries under democratic principles and respect for human rights and anticorruption for many reasons but one of which is what the chairman is talking about, to be able to go those routes in those countries in order to get reliable partners and consumers who can buy American products. So I agree with all of that.

I want to ask all of you—and I will start with Congressman Kolbe—how important the U.S. mission is in these host countries for your economic exploration and opportunities. And I say that from two points of view.

One—and I visited with Congressman Kolbe—the infrastructure projects that the United States was instrumental in developing in parts of the world that allowed private companies to come in and be able to take advantage of that being in place.

And then secondly, as you deal in these countries, how important is the U.S. mission? I visit, every time I travel, our U.S. mission and see the economic officers, the USAID officers, et cetera. And I usually bring a list of Maryland companies that are interested in doing business and give them to the embassy and see whether we cannot advance those causes.

So as we are looking at the appropriate role for the State Department and its international affairs, including development assistance, how important is it for us to maintain capacity in the country missions with U.S. personnel that are American but also our employment of the local expertise in the country that assists U.S. companies?

Mr. KOLBE. A very excellent question, Senator Cardin.

Let me just say that I think that they are very important. The missions are important in these countries. We are talking about public-private partnerships. So there is a public element to this. And I think there are two things that the embassies and the missions do. One is they provide the link when our companies come to a country. They provide a link that is there. And the second thing is they can be the advocates for making the changes that need to be made in these countries that make it possible for businesses to flourish and thrive in those countries.

It is often not the tariffs that are the big problem. It is the other kind of barriers that are the problem, whether it is social barriers, legal barriers, trade-related barriers, customs barriers, those kinds of things. And I think it is those changes that our missions can advocate for and constantly be on the alert for and work to change those things. So I think it is very important to have those missions available to us.

Senator CARDIN. The three companies that are here, have the local missions in host countries assisted you in your efforts?

Mr. MACNEE. I would agree absolutely. Again, it is on the advocacy side, especially around social and legal issues. If a woman is not allowed to own land in a country and we are trying to stimulate economic development and entrepreneurship, U.S. mission advocacy is very important, and it is not something we can do.

The flip side is that we are often up against charges of being simply an American company, which in parts of the world is a bad thing. And so we have to be very careful how we navigate that. I mean, we see ourselves as a global company that is domiciled in the U.S., but sometimes there is a flip side.

Mr. GOLTZMAN. We work very closely with the missions both from a perspective of having to help them be advocates for us when there is discriminatory regulation or policy being imposed by the local government, but also in terms of the shared value partnerships that we are creating. Whether it is working on ensuring the delivery of medicines, the USAID missions in countries are critical partners for us in our Project Last Mile. And the State Department is an essential partner in the scholarship programs we do. We could not do the entrepreneurship training programs that we do without the in-hand partnership, some funding, but more importantly the on-the-ground partnership with the State Department in each of the countries where we are doing it.

Ms. GOODEJOHN. And I would echo the comments and say that the missions have been very important for us from our experience as far as access to the local expertise and understanding the landscape.

Senator CARDIN. Thank you.

Thank you, Mr. Chairman.

The CHAIRMAN. Absolutely.

Senator Flake?

Senator FLAKE. Thank you for the testimony. I am sorry I was not here to hear it in person.

But it is also great to see Congressman Kolbe. I do not know anybody who has more experience at a number of levels in this area. And I would be interested in your perspective. And I read

some of the testimony with regard to Africa, for example. You mentioned a couple of examples, Ghana, for example, with the MCC. What examples can we point to of where our programs to try to nudge these countries in the direction of reforms, economic reforms and what not—where has it worked? What are the best examples?

Mr. KOLBE. Well, I think that is one of them, as a matter of fact. Ghana is a great example of one where our program, our MCC program has really moved them, and it is a shining star in West Africa where, unfortunately, there are not as many shining stars as we would like to see. So that is one country that I would definitely say that we have had great success.

But I think there is a number of other countries where the MCC compact has worked to make real changes within the way the government operates, that is, just take the procurement process that in many cases—because we insisted on transparency and open procurement process that is not restricted to U.S. companies—that is the key thing about the MCC. It is not restricted to just U.S. companies. But the openness of that process and insisting that the government in that country follow that has led, I think, to reforms within their own procurement that has gone far beyond the MCC compact. So I think it has made those kinds of changes in a number of different countries, particularly in Africa and in Latin America.

Senator FLAKE. Do these companies represented here take advantage of OPIC? Can somebody talk about where that is going, what we need to do? Is that program working? Go ahead, anybody. Overseas Private Investment Corporation.

Mr. MACNEE. I can give a quick answer, which is we have not participated too much with OPIC. We know of their work and it is good work. There is not much experience with it.

Senator FLAKE. Any others on that?

I just spent time in southern Africa. I was reading testimony with regard to Zimbabwe, a tough country where we have not been able to, with development aid, nudge them really anywhere, but where humanitarian aid, certainly PEPFAR, has been invaluable obviously to many of the countries in Africa, particularly in southern Africa.

And what has struck me in southern Africa, for example, Namibia, where I spent 1989 and 1990, we were not there for them, they feel, during their liberation struggle. But since then, we have been there with things like AGOA and with PEPFAR and other things that have helped build a relationship there that has helped with security arrangements that we have, agreements on wildlife protection, anti-poaching efforts.

Congressman Kolbe, can you talk about the value of soft power in that way in terms of what that enables and fosters and helps in our ability to work with these countries on security arrangements and other things that have a tangible benefit for people here at home?

Mr. KOLBE. Well, we are all aware of what the Secretary of Defense has said recently about the importance of soft power and the fact that he needs it as much as he needs any—if you do not provide the soft power, he is going to have to have more guns and

more bullets. And soft power is I think extraordinarily effective. So I think it is very important.

You touched on a couple of things. One, Zimbabwe is a spectacular example of our failure of aid. But as you pointed out, other sources of aid, like PEPFAR and GAVI on the vaccination program, continue to operate in those countries and are doing good work of saving people's lives. And so the multiplicity of different agencies that are working, public-private agencies, can make a real difference in these countries like Namibia with the World Conservation Fund and others helping to preserve animal kingdoms in those countries. So I think there are a lot of ways in which we can do that.

But the soft power is absolutely essential. We need to have that. We cannot have a military force around the world. We need to have the soft power.

Senator FLAKE. Thank you, Mr. Chairman.

The CHAIRMAN. Thank you.

Senator Shaheen, I do want to tell you that I talked to President Carter this morning and shared with him that with your leadership, we are about to produce the bill that deals with women in leadership. And I just want you to know that that occurred this morning. We look forward to marking up a bill that you have led strongly on.

Senator SHAHEEN. Well, I appreciate that. I also talked to President Carter this morning, and he told me about your conversation. So I said I would follow up.

Senator KAINE. I am feeling a little left out. I did not talk to anybody this morning.

[Laughter.]

Senator SHAHEEN. You lose. What can I say?

Well, thank you all very much for being here and for the work that you are doing in so many parts of the world.

Mr. Kolbe, I think I am going to direct this question to you, although everybody in your presentations talked about the partnerships that you have had with USAID and how important those have been as part of what you are doing. But what we know about what the President is proposing for the 2018 budget suggests that it will include dramatic cuts to the State Department, that it will also include dramatic cuts to development assistance. There is a suggestion that all of those development funds might be diverted into the economic support fund which is tied to specific U.S. political or strategic objectives and that USAID will actually be collapsed into the State Department and not continue as a separate agency.

So can I ask you how important you think it is that we continue these economic efforts and how important it is to have USAID, and as Senator Cardin said, the mission in countries that can work with our private sector partners in so many areas?

Mr. KOLBE. The brief answer to your question of how important USAID is and whether it should be separate is that it is very important. If you fold it into the State Department completely, there is a link and there has to be a link, of course. But if you fold it into the State Department completely, what you are doing is you are subjecting it to the political considerations. I have seen that

over and over again with the Millennium Challenge Corporation. Thank heavens the Congress had the good sense to put private sector members on the board of directors there because it is a natural thing for the government officials that are on it to say, well, we have some political objectives we really want to meet. Why do we not give a compact to this country instead? But that is not the objective of what the MCC was supposed to be about. So I think it is very important that the USAID maintain its independence.

I also happen to serve—just one other comment I would make is I also happen to serve, in addition to being Honorary Chair of MFAN, Modernizing Foreign Assistance Network, I am Vice Chairman of the International Republican Institute and on the board of the Freedom House. And in both of those cases, we are very concerned about the collapse or proposed collapse of democracy promotion. And I think that, related to the things we are talking about here today, transparency, openness, corruption, all that, is extraordinarily important. So I do believe we have a significant role for that as well.

Senator SHAHEEN. I certainly share those views. I think it is absolutely critical that we continue the democracy promotion that we are doing.

As Senator Corker said, I have been working on the Women's Peace and Security Act. I think that women's empowerment is one way for us to promote stability and development in countries around the world. So I would ask those of you who represent the private companies here what you have seen in terms of women's empowerment and whether you have seen that as being helpful in terms of promoting stability. One of the statistics that is one of my favorites is that women give back 90 percent of what they earn to their families and communities. Men only give back 35 percent. So what have you all seen as you have been working in other countries?

Ms. GOODEJOHN. Thank you for the question.

Women actually make up a significant part of coffee, of the labor of coffee, of the processing of coffee. And I think oftentimes they are under-represented as far as their ability to get technical assistance or financing. And so a lot of the work that Starbucks is doing through our farmer support centers and working with other non-profit organizations is how do we build up empowerment of women in our coffee supply chains.

One great example is we have been working with a women's cooperative in Colombia separate from our alliance with the government. And they are going to be receiving a loan for the first time, and this is because they have been trained with the technical side of coffee, the financial side. They now have the business acumen, and they are ready to take on a small loan but one that will help propel them.

Thank you.

Senator SHAHEEN. Others want to comment?

Mr. GOLTZMAN. Senator, I just would build on that. I mean, we could not agree more. Women are a force multiplier for communities and for our business. We have what we call the Coca-Cola 5 by 20 Initiative, which is our effort to empower economically 5 million women by 2020 by giving them increased access to business

skills training, financial services and assets, and networks of peers and mentors. As of the end of last year, 2016, we have reached more than 1.7 million women across 64 countries. And this is truly shared value. It is about empowering the women so they can earn more money, be more successful, improve the quality of life for their families and communities. But it also helps our business be more successful because they are opening retail venues or they are becoming more effective farmers and bringing the agricultural commodities that we need for our beverages closer to our production facilities.

Senator SHAHEEN. Mr. Macnee?

Mr. MACNEE. Just quickly. We have, I think, direct evidence of it in South Africa where they converted their cash and paper-based social assistance to a Mastercard. So there are about 10 million people who receive it monthly. And what we saw was that women head of households behave exactly as you suggested. And by having the money flow electronically, two things happen. One is they did not have a 3-hour bus ride to go and collect and stand in line so that their time was available to them. The other thing is that their personal safety was enhanced because so often when they received the funds in cash, it was stolen and it was, unfortunately, often a family member who was taking the money.

Senator SHAHEEN. Thank you very much. Yes, we have seen that in other countries as well. In Afghanistan, I think that has also been true.

My time is up, but I just want to—given what we have seen about the importance of empowering women, I am especially concerned that this administration is proposing eliminating the Office of Global Women's Issues, which has that focus.

So thank you, Mr. Chairman.

The CHAIRMAN. Senator, I do want to mention my daughter was working in Tanzania creating village savings and loan programs where people would pool together—12 to 15 people pool together resources and loan to each other to help small businesses. And one of the rules they had was no more than two men could ever be a part of it because beyond two men would mess the whole thing up. So I do want to say that you are right relative to those monies being used to support families instead of other things.

Senator SHAHEEN. We could try for that in the Senate.

The CHAIRMAN. I would not want to go quite that far.

[Laughter.]

The CHAIRMAN. But you all are gaining, I know.

Senator Paul?

Senator PAUL. Thank you to the panel for your testimony.

It has been said over time that foreign aid is taking money from poor people in rich countries and giving it to rich people in poor countries. That is the criticism that has been leveled against foreign aid. Throughout time, there have been a lot of examples of billionaires in countries that seem to have converted somehow some of the aid or access to the aid or access to goods somehow to their own personal aggrandizement. The Mubarak family is said to be worth \$10 billion to \$15 billion. Nobody is quite sure how legitimately that was achieved, but some of us would argue that some

of it came from the \$60 billion that we have sent them over the last 30 years.

What would you say to that statement, I guess, Congressman Kolbe? Agree, disagree and better or worse than it used to be?

Mr. KOLBE. I absolutely agree with your statement. We would be lying to ourselves if we tried to say that there has not been examples of where our assistance has ended up going into the hands of a handful of people in the country and enriching them. And you mentioned a couple, and I certainly in my experience when I was in Congress have seen that in those countries myself where this has happened.

I think the importance of what of what we are talking about here today is what we have got here are these public-private partnerships. This is not a public-private partnership with Lockheed. Nothing wrong with Lockheed, but just saying some major company that is selling huge numbers of aircraft.

Senator PAUL. Do you think we are a lot better, though, overall than we were 20 years ago as far as billionaire leaders, dictators, despots taking our money?

Mr. KOLBE. Yes. Do we have as many despots? Yes, we do have as many despots as we had. But I think we have a little bit better sense of where the money should be going. So I think we are better.

Senator PAUL. Going to the point of trade and how we sort of improve the lot of people and do it in a way that is mutually beneficial to the world, the young man that burned himself in Tunisia that sort of set off the Arab Spring—there was a great article in the “Wall Street Journal” a couple years ago. Hernando de Soto I think wrote it, the economist from Peru.

Mr. KOLBE. I am familiar with it.

Senator PAUL. The point he made I thought was an incredible point. He made the point that if you look at the unofficial market, the black market of Egypt and of most countries, that it exceeds our foreign aid like by 20-fold. It is just an enormous amount. His frustration was really—the man who burned himself—was not a religious protest. It was that he could not get a license for his truck. He wanted to be a truck farmer, which is actually what my family was when they came here. We peddled vegetables and then became truck farmers and then somehow doctors and other things. But the thing is that it was that economic limitation.

And de Soto’s point is that somehow we have to figure out—I do not know that we can necessarily do that, but it is incredibly important for these countries if they want to develop, it is sort of making the unofficial official—the black market, bringing it into the normal market and letting it grow. But so much of that is bureaucracy and socialism and too much government, lack of title to your land. You know, our capital in our country comes from borrowing mostly against our houses. That is the biggest form of capital in our country, that or real estate. It is not some kind of borrowing power.

But I guess knowing or understanding that that is part of the problem, what are the solutions, and are we closer to achieving those solutions than we have been in the past? Congressman Kolbe?

Mr. KOLBE. Well, once again, you are on the right track. You are absolutely correct.

Hernando de Soto, of course, has made much of his name in the work that he has done on property rights in these titles in countries like Peru and then in Egypt as well. If you do not have title to land, how can you sell it? How can you develop it? What can you do? So you need to have titles, and these countries have not had titles. So just something as simple as that I think is one of the key things.

Before you were here, I mentioned that the key problems that I think we face in these countries is not often the problem of high tariffs. It is the barriers within the country to making development happen. It is the internal things that occur that make it impossible to start a business, the number of regulations that you have. I think Hernando de Soto identified something in Peru to start a small business, it was 179 or something like that different approvals you had to have.

Senator PAUL. And I just want to interject one quick point. We do a lot with NGOs with democracy promotion that you have talked about. But I wonder if we do enough with the promotion of good economic sense. The NGOs that do democracy promotion—I do not think they are really necessarily extolling Adam Smith or Milton Friedman. It seems like those ideas are what hold back the third world as much as anything. The miracle in Chile was all of a sudden they accepted great free market ideas. It may not have been perfect, but definitely Chile has done quite well over the time.

But I wonder if there is a role somewhere for something. And I would just as soon even see a private role but for some kind of group that believes in international trade to promote the ideas of title, capital, and how it develops so these countries would choose it.

Mr. KOLBE. Just to conclude, I think there is a role for that, but right here we have the practitioners of the people who are in the country doing this on a daily basis and that is the best antidote for the problems that these countries face.

The CHAIRMAN. We have a Global Gateways piece of legislation that I would love to talk to you about that promotes all the things you were just talking about. I really appreciate the line of questioning.

Senator Menendez?

Senator MENENDEZ. Thank you, Mr. Chairman.

Thank you to the panel. I am thrilled to see that Congressman Kolbe is still at it and a strong voice, including in his days in the House where foreign aid at that time and generally the engagement were not the hallmarks of the views of the time. So I appreciate your long-term commitment.

I appreciate the committee looking at this one component of foreign aid and investment. But I would hate for any of us to leave this hearing with the impression that somehow now or in the future, private businesses and corporations could take the place of U.S. foreign aid in development overseas. Comprising less than 1 percent of the federal budget, our foreign assistance—and “assistance” may really be a misnomer—is a critical foreign policy tool that promotes our values, our interests, and it builds strategic alli-

ances for the United States. And so I applaud what you all are doing but I worry that there are some views that we can head in a direction in which we can dramatically reduce that foreign assistance and what flows from it.

So I would take the opportunity here to stress that again. I have gleaned from the written testimonies you have provided—in fact, much of the work you do is either in cooperation or working off the information that, for example, agencies like USAID have. Is that a fair statement?

Mr. MACNEE. Yes, it is fair. And USAID is I think the largest funder of our partners. So that funding is critical to their success. So if we are dealing with the Red Cross or World Vision or Save the Children, there is an enormous funding provided by USAID. So it is critical.

Senator MENENDEZ. And if that was dramatically cut, there is only so much that you are going to be able to do. Even as you are good corporate citizens and also see a value, there is only so much that you are going to be able to do in that respect. Right? Because it seems to me like USAID, MCC, and others lay the vertebrae, the backbone of the development issues in which you will be able to engage.

Mr. GOLTZMAN. Senator, if I could just add. I could not agree more. There is absolutely a critical role for government and government aid in this process. There are sectors and parts of the economy that the private sector cannot be invested in, developing the rule of law, and helping ensure intellectual property protection. We cannot public-private partner on that to help develop that capability or to build the transportation infrastructure on which our delivery trucks actually can deliver Coca-Cola beverages around the world. These are things that governments have to invest in, and then we can do public-private partnerships in the areas that are actually priorities for our business and make sense both from a business and a sustainability perspective for us to build in. But there is a critical role for government to continue.

Senator MENENDEZ. I appreciate it.

Now, when the United States Government selects organizations and governments with whom to partner on development initiatives, there is a lengthy vetting process of these organizations to determine not only the feasibility and success of a particular project but to ensure that U.S. taxpayer dollars are going to reputable and reliable partners.

For anyone on the panel, can you tell me what steps do you take to ensure that the people and organizations with whom you work adhere to international human rights and governance standards? Is there anybody who does that?

Mr. GOLTZMAN. Well, first, I would say we work with the State Department, and we certainly ask the U.S. Government their opinion before we engage in many of those partnerships. We have our own supplier guiding principles, and we have specific audits that are also done with various partners that we have. But I would reiterate that the U.S. Government's opinion about in-country actors and their reliability is a critical part of the information that we gather.

Senator MENENDEZ. Is that generally true for the rest of the panel?

Let me ask you this, Congressman Kolbe. We have in New Jersey a very large diaspora of many parts of the world who have embraced the American dream and been successful. They want to help their home countries. I hear from many about the USAID procurement and contracting process is often opaque and difficult to understand. Do you believe that there are reforms that can be made within the U.S. Government, USAID in particular, to help capture and effectively utilize the enthusiasm from these communities?

Mr. KOLBE. Yes, there are. And I think actually USAID has undertaken, in these last several years, a lot of those reforms. It is definitely much improved, I would say, but there is certainly much more to be done. I cited earlier the Millennium Challenge Corporation, which Congress had the good sense to set up and say that the procurement did not have to come from just a U.S. company, but it was an open process. And I think that has been very, very helpful. So I think there are things that can be done. We can certainly make it better than it is today, but I think we have made significant improvements.

Senator MENENDEZ. Thank you.

The CHAIRMAN. Thank you.

I do want to respond. This hearing is actually to highlight aid and the way we can leverage it just like Senator Coons and my trip to Uganda recently was. I am all for top-to-bottom reviews. I think we ought to do those kind of things constantly. I know your companies do that every year. But I think what we should highlight is how to leverage what we do and maybe reform it, as you just mentioned, in such a way to deliver even more aid and stability around the world.

And to an earlier comment someone else made, I do not get the sense that the beginning point of the administration in any way is to subsume USAID into State. I mean, I think they are looking at how those things should work together, but I do not think the beginning point is that. I know there has been a lot written about that, but I just do not think that is where they begin. It could end up there, but I do not think that is their beginning point of view.

Senator Coons?

Senator COONS. Thank you, Chairman Corker, Ranking Member Cardin.

I am grateful for our panel of witnesses, Congressman Kolbe, for your long service. I know you do not remember but we met when I was in the private sector and you were representing a district in Arizona. And I have had a great opportunity to visit sites where Starbucks and Mastercard and Coca-Cola are doing good things around the world. And I am a strong believer in engaging and mobilizing public-private partnerships as a way to extend the catalytic power of federal leadership but to make it go farther with the insights, the connectedness to the ground, the applications of new technology that the private sector can bring to bear.

In my recent visits to five different posts in countries, the first one with Senator Corker, but others in South Asia as well, I recognized there is real concern amongst the staff of USAID and the State Department about impending budget cuts. And to anyone lis-

tening, I just want to reassure them that we intend to pursue a disciplined and thoughtful course. The President can propose whatever budget he wants, but at the end of the day, it is the Congress that makes decisions about our strategy going forward. And I view this as a constructive hearing that helps us better understand the potential for public-private partnerships and what they can do.

Let me just ask, if I might, of you, Congressman Kolbe, and then if others want to pitch in. I see a lack of access to capital routinely as a major constraint for development, particularly for smallholder farmers, for women's cooperatives, for startup manufacturing companies. Would an empowered development finance bank help address this challenge? You mentioned it in your opening comments. What sort of a difference would a newly reimagined development finance entity by the United States contribute to this challenge?

Mr. KOLBE. I think it could. I am not an expert in this, and perhaps some of the people here at the table would have a better answer to this than I could give you. But I think it could make a difference because our efforts right now are very fragmented. Whether you are talking about the Trade Development Authority, OPIC, the EXIM Bank, the Millennium Challenge Corporation, whatever we are talking about, it is very fragmented. And I think there are some ways in which we could have a better way of making sure that the capital is flowing in the amounts and into the right places that we need. I think it is something that is worth exploring. That is why I was suggesting it.

Senator COONS. It is certainly worth exploring.

Let me just ask if there is anyone else on the panel who has seen—most of our major economic competitors have significantly bigger, broader, better-funded, broader authority competitor financing institutions. Have you seen that? Have you seen the impact of that in the developing world?

Mr. GOLTZMAN. Senator, I would just add that I think it could be helpful. But what I think is important to realize is that it needs the deep resources not just of money but people on the ground in country because what we have seen in the partnerships that we have had with big financial institutions is that they do not actually have the capability to identify the women, for example, who could get a small loan. And they need us and the Coca-Cola system, and that is why 5 by 20 is so powerful is that we have this network of thousands of women that we are working with. And so there is a way for them to say, well, actually it is viable to give this woman a loan because she is connected to the Coke value chain and we see something there. But on the whole, those bigger financial institutions—they do not have those kind of on-the-ground resources to actually identify individual beneficiaries. And so that on-the-ground resource is really critical.

Senator COONS. And I will just say that Coca-Cola has literally the single largest network on the continent of Africa. You are the single largest employer. Susan Mboya and I have had a chance to meet a couple of times and for me to hear and see what that means on the ground.

If you would, Mr. Macnee.

Mr. MACNEE. Yes. I think it is something we are seeing now more and more. When we bring digital commerce, electronic com-

merce, for example, to a smallholder farmer, we are creating data. It is no longer anonymous. It is no longer some kind of secret what they do. And they can slowly build a profile, which lets a bank, a local bank, lend to them, just essentially a credit file.

Senator COONS. I have got relatively little time left. If you would, Mr. Macnee, just tell us a little bit more about the 2KUZE model. It as in your written testimony, but I do not think you spoke about it enough yet. And I think it is very compelling. Obviously, anyone from Delaware loves it when credit cards get extended to the world, but it is much more than that. And I wanted to give you a moment to talk about that.

And if the chairman would indulge me, Ms. Goodejohn, I had a chance to visit in Rwanda a Starbucks-sponsored smallholder farmer education center. Anything more you wanted to say about the coffee value chain and access to water.

I would be grateful if each of you would speak briefly to those points.

Mr. MACNEE. I will be very brief.

This product, 2KUZE, came out of a lab that we established in Nairobi. The Gates Foundation gave us \$19 million to set up an incubator in Nairobi. One of their first products was 2KUZE. It is essentially a mobile phone-based product for smallholder farmers that lets them access markets directly as opposed to being forced to work with agents who are middlemen with the ultimate buyers. And so it does not destroy that agent relationship, but it opens up information so that they know if they are selling some produce for a nickel per. If they can see the end market is a dollar, the information is changing their own economic behavior.

Senator COONS. That is exciting.

Ms. Goodejohn and then we will conclude.

Ms. GOODEJOHN. Thank you for the question.

So, yes, ensuring that these communities that are growing coffee oftentimes rural, oftentimes smallholder farmers is very critical for Starbucks. We leverage our Starbucks Foundation. For years we have been investing in clean water around the world in Indonesia, Colombia, Guatemala, Mexico, Rwanda, Tanzania, et cetera, all with the purpose of trying to create resilient communities so that in addition to investing in coffee technical assistance, they also have strong livelihoods.

Senator COONS. That is wonderful. Thank you. I would like to thank the whole panel; Mr. Chairman, Ranking Member, for holding this hearing. I see enormous power in leveraging the private sector and the strengths of their value chains, their analytical capability, and I am excited to keep working with you both on this in the future. Thank you.

The CHAIRMAN. I think all of us while Governor Branstad had been elected for 23 years last week, an incredible politician who was able to tie things to anecdotes and things back home—but I have to say you and Senator Cardin are doing a marvelous job today and would rival him.

Senator Kaine?

Senator KAINE. Thank you, Mr. Chair.

And thanks to the witnesses.

A couple of different topics. I heard you all testify that in your own engagement through your companies or the IRI and others, you work very closely with the missions in these countries. That is how you leverage success on international development and your own business interests.

So it is imperative that we fill out the missions as quickly as we can. The chairman and ranking have a good track record of getting things through once they come to the committee. I really hope the administration will give us the names so we can fill out the mission. And then, frankly, even though the committee often acts with great expedition in getting things to the floor, during the latter half of the Obama administration, it was very difficult to get people approved. You have testified that it helps your work to work cooperatively with the mission. That means the mission should be filled, and I hope we will all work together expeditiously on that.

On public-private partnerships, one of the entities that helps in this area is OPIC. The President's budget proposal zeroes out OPIC. We have got a company in Charlottesville. It is actually kind of jointly in Charlottesville and India called Husk Power Systems. It has developed a very small energy producing technology using rice husks that they have deployed all across India. And they were greatly helped by an OPIC loan.

If we are going to be about public-private partnership, as Congressman Kolbe said, there has got to be a public in there somewhere. It is not all going to be private. And I think it would be very shortsighted to eliminate an agency whose purpose is the public-private partnership that adds value to the international development chain.

I want to ask Ms. Goodejohn and Mr. Goltzman about this. Both of your companies, Coca-Cola and Starbucks, have done a tremendous amount of work to promote a new energy economy and to grapple with the realities of climate change and build into your own business models strategies to work on reduction of greenhouse gas emission, carbon footprint, and even to support our initiatives like the Paris Climate Accord. And I applaud you for that.

I gather your companies would not be doing that if you did not believe in the science or if you thought working on climate change issues were somehow harmful to the economic health of Coca-Cola and Starbucks. Am I fair to make that assumption?

Mr. GOLTZMAN. Absolutely. We see with climate change even greater risk to water scarcity and quality. We see the movement of agricultural commodities changing and where they can be cultivated, and those are certainly significant risks that we see to our future growth.

Ms. GOODEJOHN. With regard to coffee farmers, we need a resilient and stable supply chain. And with changing weather patterns, we are trying to support coffee farmers through our farmer support centers and nonprofit partners to build up the capabilities of those farmers to help them adapt. So whether that is improving soil, shade trees, other things that will help them adapt to changing weather, that is very important for a long-term supply of coffee and to keep those coffee farmers growing coffee.

Senator KAINE. Do you see the United States' participation in and even leadership of other nations on things like the Paris Cli-

mate Accord as counter to the economic interests of Coca-Cola and Starbucks?

Mr. GOLTZMAN. I would just say that we have our own targets in place about what we are doing to make sure that we minimize our impact on the climate, and that is going to continue regardless. And so that is what I would say.

Senator KAINE. As far as either of you know, your companies have not taken a position that we should not be involved in the Paris Climate Accord. Correct?

Mr. GOLTZMAN. Correct.

Ms. GOODEJOHN. Starbucks is part of a business coalition that supports the Paris Climate Accord.

Senator KAINE. I worry about this. And I was asking this the other day because I thought Governor Branstad's story was so powerful about the connection between a clean energy economy and a strong economy for his State.

And just my own thought, I would view the U.S. backing out of the Paris Climate Accord as essentially a statement of pessimism. We do not think we are innovative enough. We do not think we are economically creative enough to be able to meet our obligations. And why would we be pessimistic when we have got great companies or great governors or a great ag sector in Iowa who are showing us the way forward? So that is just my own editorial comment.

And finally, Congressman Kolbe, I really appreciate the work that you are doing on democracy promotion through IRI. We have had a lot of hearings in this committee and Armed Services too where I serve about sort of the whole Russia angle. And one of the things that Russia is interested in-- they do not like the U.S. presence near them, but there is a bigger thing at stake with Russia right now. They are really trying to undermine the notion that democracy is a preferred model of governance and that maybe an authoritarian government is just fine. Maybe it is even better in the 21st century as you are dealing with terrorism issues. There is significant effort to undermine the notion that democracy is a preferred government model.

And groups like IRI and others that do democracy promotion-- if the U.S. is not promoting democracy, who is going to do it?

Mr. KOLBE. Senator, you are absolutely right. Without getting into the weeds on the issues of the presidential campaign, the activities of Russia and the former Soviet Union to undermine democracy around the world have been going on for a long time. We can go back to the end of World War II and look at how they tried to change the French elections then in a way that would have elected a socialist or communist government back then. So this kind of propaganda is not anything new.

What is new, of course, is the technology that exists there, particularly the social media that enables them to do things that they have not been able to do before. That is one of the things that IRI, International Republican Institute, Freedom House, which I am also on the board of, POMED, the Project on Middle East Democracy, which I am on the board of, are all trying to do, is to make sure that democracy gets promoted or that we encourage people how to use the social media in a way that enhances democracy, that promotes it, that encourages it.

And so these programs are very important, and they do rely on government support. We do have grants that come from the private sector and I might add from foreign countries, but most of the grants come from USAID, from, of course, NED, which is the National Endowment for Democracy, and from the State Department.

Senator KAINE. Thank you.

Thanks, Mr. Chair, for letting me go over.

The CHAIRMAN. Absolutely. Thank you.

Senator Murphy?

Senator MURPHY. Thank you very much, Mr. Chairman. And I certainly accept the premise that the point of this hearing is to lift up the great work that is being done in private-public partnerships. And I thank you all for the commitment.

I think what you are hearing from this side is a real worry about what is happening in this administration. A lot of us feel that there seems to be a really strong bias against diplomacy and development aid. The budget proposal for State would have been absolutely devastating and I am glad that our budget rejects it, although I will note that our budget still does include a \$600 million cut to the State Department.

And then we have heard these rumors, as you mentioned, about State taking USAID in, which would greatly damage their ability to do their job, side by side with rumors of up to 2,300 position cuts, largely through attrition. So I appreciate your comments that these may just be rumors.

The CHAIRMAN. I do not think the latter necessarily is just a rumor.

Senator MURPHY. But 2,300 cuts by attrition in the State Department would be absolutely crippling to the State Department and USAID's mission overseas.

Anyway, I hope at some point we will be able to get a high level State Department witness before this committee so that we can ask some of these questions in open session. I know that is difficult when—

The CHAIRMAN. There are not any.

Senator MURPHY.—very few exist.

[Laughter.]

Senator MURPHY. But again that is another concern that we have that this does not look accidental. This looks pretty purposeful at this point, the failure to staff the State Department at high levels.

So with those concerns in mind, I just want to ask our panelists. You are involved in countries with a medium to large USAID footprint, and you are involved in countries that do not have as big a U.S. footprint. You might be involved in countries where China is more involved than the United States is.

You have sort of spoken to this a little bit here and there. But talk to us about the consequences of the United States essentially withdrawing from the development playing field. What happens if you do not have USAID or State Department to partner with? What are the consequences to your work if all of a sudden you show up to a country where you got to lean on USAID, got to ask for their advice, and they are gone? Tell us about the importance of that work that you do and the threat if that relationship no longer exists.

Ms. GOODEJOHN. Thank you for the question.

You know, Starbucks has and we will always continue to invest in these regions because it is important for our business. It is important for us to have the stable supply chain. But having the presence of the U.S. Government to be able to scale the work we are doing, to be able to scale some of the knowledge and connect with the local resources and understand the landscape is very important.

Mr. GOLTZMAN. I would just add that we are giving up the scale opportunity. So the impact that you can have through the partnership is that much greater. There are other actors, China among them certainly on the African continent that is making major investments. They generally do it in a different way by bringing much of the labor force with them to do the work of whatever they are building and constructing as opposed to building the capability locally and doing those partnerships that create knowledge there on the ground. And so I think the U.S. does give up some of that engagement with the local government by not being present.

Mr. MACNEE. We are all scale players. But the funding provides for reach. So I think the change would be how many jurisdictions could be influenced.

Senator MURPHY. Mr. Goltzman, you are involved in virtually every country around the world in some way, shape, or form with respect to commerce. You talked about the limits of what you can do with respect to issues like rule of law. But you are selling product in a lot of places with high levels of corruption, both at the national level and at the local level.

What is the role for a company like yours to try to have some say on rule of law and on governance, given the fact that you are putting a lot of money into these local economies? Is that purely a public function, or is there a role for private companies to play in jurisdictions where you have major corruption programs and you are selling a lot of product?

Mr. GOLTZMAN. What I would say is I would look at what we have done very publicly with the State Department and our disclosures in terms of our investments in Myanmar where we have put out reports on an annual basis that look at the situation and the challenges of doing business there and being very transparent in the reporting on that. I would say that it is difficult for companies, private sector actors, over which the local government actually has regulatory control to be able to be the voice to push them in that direction. And so that is the role—I mean, we would face issues, for example, of intellectual property people wanting to take our trademark, use our trademark packaging or other things, and put something else in that. That is something that we need support of the U.S. Government to be able to engage on and to help combat that in the countries where that is happening, for example.

And things like workforce training and the ability of a workforce to be able to do the kinds of things we need. For example, in one country where we were building a new facility, we had to import the plumbers because there were not qualified plumbers to work on stainless steel piping that we were using in our facilities. These kinds of things are a long-term investment in development planning that private sector actors cannot do just on their own. The

government support and partnership and major investment in that is really needed to be successful.

Senator MURPHY. Thank you, Mr. Chairman.

The CHAIRMAN. Thank you.

Senator Markey?

Senator MARKEY. Thank you, Mr. Chairman, very much.

Donor fatigue is a well known problem that we have in this area. When Haiti suffered their catastrophic event in 2010, \$3 billion of aid went in. \$1.1 billion of it came from the United States. But by 2014, Haiti was down to a level of aid that was lower than 2009, the year before the catastrophe, almost like out of sight, out of mind, forgetting it. So obviously that is a real challenge for us because the fierce urgency of “now” gets replaced by something that then draws people’s attention away and it gets forgotten.

Mr. Macnee, you have testified that private sector development partnerships require shared values that help companies build their brands within recipient companies and create new markets for their products.

Could you talk about that in terms of the private sector contributions to a country to its development if that market does not develop the way in which the private sector company had been anticipating that it would?

Mr. MACNEE. Yes. I mean, it is our hope that we can be part of the impetus for development. In Haiti, when the aid was being delivered, we learned a lot in Haiti. The electronic or digital aid was being delivered a week faster than the more traditional in-kind aid.

What is important to us is that we work on long-term economic models so that you shift from humanitarian aid to development. There is a border there. It should be a blurred border. And so just fixing a problem and then leaving is really not what any of us want to do.

Senator MARKEY. So are there risks in measuring success by whether or not there has been a private sector development that the companies or philanthropic groups had been expecting that did not occur, and therefore the country is in a situation where—and Haiti is a good example - where there is kind of an abandonment that has taken place and the United Nations does not provide the funding that it had promised today to deal with the aftermath of the epidemic that broke out and the investment in the infrastructure? At the same time, that then has an impact on the private sector that is thinking about moving into that community. So can you talk a little bit about that interaction?

Mr. MACNEE. Certainly so our approach to humanitarian and development programs is essentially our approach to business. So what we are trying to do is apply our capabilities, our assets, our technologies to the humanitarian and development issues, but we are using the same logic, the same calculus that we do in business. So we are taking a long-term view. I think I understand your question.

Senator MARKEY. Is there something that Congress can do to incentivize companies to move into areas that may not pay back a huge immediate dividend? It may not pay back a dividend at all, but that perhaps Congress could create an atmosphere that is wel-

coming to your investment, encouraging your investment in a country that needs that private sector? Mr. Goltzman?

Mr. GOLTZMAN. I would just add, look, we are present in more than 200 countries and territories. We are invested in all of them for the long term. It is not about is the economic development this year sufficient, and if it is not, then we are looking to reduce our presence. We are there for the very long term. And like my colleague from Mastercard or Starbucks, we are investing in projects that are very long-term.

It is different than trying to respond to the immediate aftermath of the earthquake. And when we did that, in partnership with USAID, on an initiative called Haiti Hope, it was investing to help Haitian mango farmers. And they are now more productive and shipping those mangos to the U.S. and for sale in Whole Foods.

So I think the ability of U.S. agencies to have matching funds is an incentive for private sector actors to actually go in and develop partnerships that we can work together on.

Senator MARKEY. Thank you, Mr. Chairman. I just want to thank Starbucks and Coca-Cola for their advocacy on climate change. I think it is very, very important to have been told—the *Washington Post* reported that the administration has been advised to pull out of the Paris agreement. And I think that would be a terrible thing. But it is good to know that there are private sector companies stepping up and saying that it is an important issue for us to have to deal with. Thank you, Mr. Chairman.

The CHAIRMAN. Thank you.

I want to thank all of you for being here. Mr. Goltzman, Senator Cardin noticed you took advantage of a branding opportunity there in front of you. But we appreciate all of your testimony. It has been, I think, very helpful to all of us.

The record will remain open through the close of business Friday, and if you could respond fairly quickly. We know you have other responsibilities.

Congressman Kolbe, it is good to see you again. Thank you for all of your life's work.

And with that, the meeting is adjourned. Thank you.

[Whereupon, at 11:35 a.m., the hearing was adjourned.]

ADDITIONAL MATERIAL SUBMITTED FOR THE RECORD

STATEMENT SUBMITTED FOR THE RECORD BY JOHN ELLENBERGER, SENIOR VICE
PRESIDENT FOR INTERNATIONAL DEVELOPMENT, LAND O'LAKES, INC.

Thank you for the opportunity to provide testimony on the value the private sector adds to international economic development. My name is John Ellenberger—I'm the Senior Vice President for the Land O'Lakes International Development organization. I assumed this role in February after leading the U.S. Dairy Foods business team for Land O'Lakes, Inc. since 2008.

ABOUT LAND O'LAKES, INC.

In 1921, 320 dairy farmers joined together in St. Paul, Minnesota in an effort to more effectively market and distribute their dairy production across the country. They formed the Minnesota Cooperative Creameries Association. Soon after, the cooperative expanded into animal nutrition and the crop inputs businesses to aggregate farmers' demand for feed and seed.

The cooperative has evolved into a \$13 billion company owned by more than 3,800 U.S. farmers and local farmer-owned cooperatives that all share a single driving purpose: feeding human progress.

Land O'Lakes' commercial expertise spans raw agricultural inputs to consumer foods through four business units: the flagship LAND O LAKES dairy foods business; research-based, high performance Purina Animal Nutrition feed; data-driven Winfield United crop inputs and decision insights; and innovative Land O'Lakes SUSTAIN, a platform to capitalize on our farm-to-fork knowledge and meet the consumers' evolving desire for transparency and continuous improvement in sustainability. Through these businesses, Land O'Lakes, Inc. touches 25 percent of U.S. farmers and 50 percent of domestic productive land—and does business in all 50 states and more than 60 countries.

ABOUT LAND O'LAKES INTERNATIONAL DEVELOPMENT AND THE RELATIONSHIP TO LAND O'LAKES, INC.

Land O'Lakes International Development was formed in 1981 when Land O'Lakes, Inc. leaders recognized that farmers around the world wanted to improve their livelihoods and market position—just like Land O'Lakes' original member-owners. In keeping with the values of our cooperative owners, these leaders decided that “helping your neighbors” meant global neighbors, too.

Today, Land O'Lakes International Development operates independently as a 501(c)(3) nonprofit (ID became a nonprofit in 2016) while maintaining an important affiliation with Land O'Lakes, Inc. With support and expertise from a multi-billion-dollar agribusiness in our corner, we understand how to help farmers and enterprises in challenging contexts transform into profitable, business-minded entities.

Over the years, Land O'Lakes International Development has worked in 80 countries through nearly 300 projects primarily funded by the U.S. Agency for International Development (USAID) and U.S. Department of Agriculture (USDA). We use our practical experience and in-depth knowledge to facilitate market-driven business solutions that generate economic growth, improve health and nutrition and alleviate poverty. In 2016 alone, our 17 projects in 13 countries directly impacted 289,534 lives (over half of which were women), created 21,549 full-time jobs, supported 716 businesses and trained 162,209 people in agricultural best practices.

PUBLIC PRIVATE PARTNERSHIPS

The modest investments America makes in development and diplomacy have an outsized impact. The International Affairs Budget, while less than one percent of total U.S. government spending, advances U.S. national security interests at home and abroad. It also spurs American economic vitality and job growth by promoting stability and economic growth around the world while upholding our values.

Strategic investments in the International Affairs Budget serve as force multipliers that hold our partners more accountable while creating a greater return on our own investments by leveraging private sector and NGO resources. The State Department, USAID and USDA have a decades-long track record of partnering with the private sector to catalyze and leverage additional investments. These investments tackle global challenges in sectors such as global health, agriculture, energy, and water. These public-private partnerships have the unique ability to leverage U.S. government resources, expertise and convening power with the private sector's technical expertise, innovation and scalable solutions. We should continue to expand these partnerships to get the most out of every dollar the U.S. government spends.

IMPORTANCE OF AGRICULTURE SECTOR DEVELOPMENT

At first glance, it may seem strange for a farmer-owned cooperative to be so deeply involved in international development. The reason we've invested our time, expertise and resources is simple: We recognize the critical link between food security, economic prosperity and political stability.

We must use all of the tools available to address this crucial need. As noted by the Conference Report of the 2014 Farm Bill, the “[M]anagers understand that an array of programs and tools are needed to balance the diverse and complex food aid demands of various countries and regions.” We strongly support a whole of government approach for global food security, provided through initiatives like Feed the Future and the Global Food Security Act. Programs like the USDA's Food for Progress and Food for Education Programs and USAID's Development Assistance, Cooperative Development, Food for Peace, and Farmer-to-Farmer programs are essential, given that nearly three-quarters of the world's poorest people live in rural areas in developing countries. And, according a study by the World Bank, gross domestic product (GDP) growth originating in agriculture is about four times more ef-

fective in reducing poverty than GDP growth originating outside this sector for the world's poorest people.¹

Food security is also a matter of national security. According to the United Nations, almost 800 million people are undernourished globally.² Access to food, and the resources to grow it, creates the stability necessary for countries to thrive—and costly U.S. interventions are less likely.

Whether it's a farmer in Wisconsin or an entrepreneur in Tanzania, Land O'Lakes, Inc. leaders, farmer-owners and Land O'Lakes International Development believe that feeding human progress starts with helping those who bear the great responsibility of growing food to fuel their communities. Land O'Lakes, Inc.'s nearly 100-year history is living proof: Agricultural development means that farmers and businesses in other countries don't just nourish themselves, but also propel people out of poverty, build savings, diversify diets and more fully participate in the world economy.

And from a U.S. private sector growth perspective, the cooperative just looks at the numbers. Nearly 95 percent of U.S. farmers' future customers live outside of our borders.³ This figure opens the door to increase exports and expand international partnerships—countries need value chain development programs to create mature enough economies to participate in global markets. It also means more job security for Americans. From 2009–2013, a 27 percent increase in U.S. exports led to an increase of 1.6 million export-supported domestic jobs.⁴ Eleven of our top 15 trading partners were once recipients of U.S. assistance.⁵ This is not about giving a hand out, but a hand up. Given the global nature of commodity prices growth in demand anywhere is good for producers everywhere.

I am pleased to share how Land O'Lakes International Development is leveraging commercial best practices to multiply the effectiveness of U.S. foreign assistance spending.

ADAPTING DOMESTIC BUSINESS FRAMEWORKS AND EMPLOYEE EXPERTISE FOR GLOBAL IMPACT

Dairy Expertise in Rwanda

Rwandan dairy farmers and producers face many of the same challenges that the Minnesota farmer-founders of Land O'Lakes, Inc. faced here in the U.S. almost 100 years ago. Challenges inherent to dairy farming include long distances that can easily turn milk sour and difficulty finding a reliable milk buyer without formal relationships. This instability means financing is difficult to attain.

Between 2012 and 2017, Land O'Lakes International Development implemented a \$15 million USAID-funded Rwanda Dairy Competitiveness Program II (RDCP II) that increased regional competitiveness of Rwandan dairy products. The program used the following approaches: increased production and production efficiency; improved market access; improved milk and dairy product quality; and increased local demand.

Dairy Supply Chain Associate Andi Musselwhite supported these quality activities for a five-month assignment in 2015. This assignment was made possible through the Land O'Lakes, Inc. Talent

Acceleration Program (TAP). This program identifies high-potential supply-chain employees and embeds them in important rotational roles where they can make a significant impact.

During Andi's time in Rwanda, she supported implementation of quality assurance practices for three dairy processors. Her focus was on improving traceability, documentation and general hygiene practices in cheese plants. She also facilitated development of a yogurt, butter and cheese instruction manual for Rwandan cheesemakers for future training.

As a result of the RDCP II program, 63,000 individuals were trained in milk production and quality, 54,000 of which adopted improved technologies—nearly doubling the program's target. Sixty-eight percent of milk processed by program participants was marketed under an internationally recognized seal of quality.

Strengthening the Supply Chain in Bangladesh

In mature dairy industries, milk is chilled once it's drawn from the cow and a "cold-chain" of continuous refrigeration is maintained through transportation, manufacturing and distribution to consumers. Where cold-chains are interrupted, the quality of dairy products is hurt. In Bangladesh, where dairy herds are typically one or two cows, farmers do not have sufficient resources to install chilling equipment on their farms nor are there means of refrigerated transport.

In 2014, the Bangladesh Dairy Enhancement Project (BDEP) was funded by the USDA Food for Progress program to improve the livelihood of dairy farmers in rural

areas, primarily by modernizing their formal market connections. BDEP partners with dairy processors to establish milk chilling centers (MCCs) staffed with advisory services that can help farmers improve their cows' productivity and their farms' profitability.

Most milk procurement systems have multiple "tiers" in which milk from many farmers is aggregated by an intermediary or agent of the processor. It's then transported, unrefrigerated, from a milk collection point (MCP) to a regional milk chilling center (MCC). By decreasing the distance that raw milk travels to the first point in the supply chain with refrigeration capability, the single tier system reduces the growth of bacteria and better preserves milk quality. During a six-month TAP rotation with BDEP, Kai Knutson compared the quality of milk procured by milk processors in Bangladesh through these two procurement systems: the widely employed multi-tier system and the recently developed single-tier system.

As BDEP ends in mid-2017, the program expects to exceed its goal of improving 10,000 dairy farmers' productivity and profitability. It also expects to link farmers to the formal market with the establishment of 55 milk collection centers—meaning that many more Bangladeshis will have access to safe and nutritious dairy products.

Building the Cooperative Model in Rwanda

Through the USAID Cooperative Development Program, the cooperative model of shared ownership is displayed as a key tool for sustainable agricultural and business markets in emerging nations. As part of this program, the Seed Cooperative Alliance (the Alliance) was formed in 2013 in Rwanda. It is a hybrid group of experts—Land O'Lakes, Inc., Land O'Lakes International Development, African seed company Seed Co and local cooperatives from across the region.

Land O'Lakes, Inc. is sharing its knowledge and sales approach from Winfield United's crop inputs business with Seed Co, while Land O'Lakes International Development bridges the gap between Seed Co and the fourth and final partner, the local Rwandan cooperatives.

Currently working with 15 cooperatives in two countries—Rwanda and Tanzania—the Alliance is testing and promoting a cooperative model that offers customized services to cooperative members and emphasizes buying new hybrid seed varieties.

The Alliance's long-term goal is to develop a trust-driven, sustainable approach for cooperatives and the private sector to make hybrid maize seed more available to smallholder farmers. The theory is that more hybrid seed will increase crop productivity in the region to meet growing demand for maize.

Over three years, the Alliance has helped cooperatives engage in partnerships with multiple seed and fertilizer companies. Those companies have since provided valuable services to cooperative members. By using hybrid seeds, farmer-members are experiencing lower costs of production, higher yields and getting better prices for their produce at market. And best of all, the farmer-members are recognizing even more opportunities to improve their livelihoods.

Quality Assurance—a Universal Language

The John Ogonowski and Doug Bereuter Farmer-to-Farmer Program (F2F) is explicitly designed to leverage private sector experience by engaging U.S. volunteers (farmers, farm groups, agribusinesses and other agriculture sector institutions) in food security development projects. The program works by matching highly-skilled volunteers in short-term international roles as technical advisers for development needs.

Food safety, from farm-to-fork, is a common need across cultures. Hazard Analysis and Critical Control Points (HACCP), a food safety management approach, is applicable to any business, anywhere in the world. Land O'Lakes, Inc. food and feed employees participate in HACCP trainings twice a year for their commercial roles and, this past June, three quality employees took that training knowledge and facilitated a training for 20 students at the American University of Beirut in Lebanon through F2F. Another quality expert, Sherry Gruber, who is a laboratory lead in Land O'Lakes, Inc.'s Orland, California dairy plant, spent time at a dairy processing plant in Cairo, Egypt, where she trained their lab lead on how to test for milk quality and establish laboratory procedures. These volunteers then returned to their day-to-day jobs with an expanded understanding about how to make food safe for the global consumer.

Research and Development Provides Remote Support

Sometimes corporate employees are able to add technical support without ever leaving their day jobs. A USAID project in Zambia worked to improve the intake of key nutrients for people living with HIV by fortifying several products already popular in the local market. One of the fortification priorities was consumption of

lactic bacteria, an element found in probiotic fermented milk that supports health and digestion, and which eases the digestibility of antiretroviral drugs. Rolf Campell, a Land O'Lakes, Inc. dairy foods research and development expert, supported the project by testing Mabisi, a naturally fermented milk product popular in Zambia at the pilot plant at our headquarters in Arden Hills, Minnesota. The final product, a Parmalat product called LactoLive Mabisi, was later produced commercially for local consumers. Two other related products—Go-Power! Peanut Biscuits and Super Formula 5, an enriched maize-based drink—were created for the local market in partnership with local processors Sunrise Biscuits and Trade Kings.

CONCLUSION

Land O'Lakes International Development exists to transform generations of lives in challenging environments. These transformations come in many forms: A farming family has enough yield to pull itself out of poverty. A young entrepreneur creates jobs in her community. Local food supplies are safer and communities healthier. A little girl is sharper in school now that she gets a nutritious breakfast every morning. These transformations matter. Piece by piece, they build food security and economic strength.

Nonprofits like Land O'Lakes International Development are proud to be stewards of these efforts, and the commercial sector makes us better. But sustainable, effective development programs aren't possible without our most critical partner, the U.S. government. Funding these programs is not only the right thing to do—it's also a smart investment. It benefits American businesses, the U.S. economy, American jobs and the security of the American people.

Together we can continue to work in communities around the globe to grow more with less, foster new ideas and talent and build economies by strengthening local agriculture.

Notes

¹ World Bank. 2007. "World Development Report 2008."

² United Nations. 2015. "The State of Food Insecurity in the World."

³ World Bank. 2016. *The World Bank Data: Population*. <http://data.worldbank.org/indicator/SP.POP.TOTL>

⁴ International Trade Administration and Economics and Statistics Administration. 2014. *The Role of Exports in the United States Economy*. Washington, DC: U.S. Government.

⁵ Gates, Bill. 2017. "Cutting Foreign Aid Makes America Less Safe." *Time*, March 17.

STATEMENT SUBMITTED FOR THE RECORD BY MARK SHRIVER, PRESIDENT OF SAVE THE CHILDREN ACTION NETWORK

Chairman Corker and Ranking Member Cardin, thank you for convening this important hearing today and for the opportunity to testify.

Save the Children Action Network supports efforts to bolster U.S. leadership in helping end preventable child and maternal deaths throughout the world. As the sister organization to Save the Children, we are the political voice for kids. With the foundation of a respected nonprofit and the mindset of a startup, we approach our core issues, including ending preventable child and maternal deaths, with an entrepreneur's eye: what has been done? How can we do better? How can we give more children the chance to survive?

More than five million women and children die needlessly each year due to preventable diseases such as pneumonia and diarrhea. American leadership in international development has contributed significantly to a 50 percent drop in the number of preventable deaths over the past 25 years, we still have a long way to go in eliminating these tragic deaths completely.

The U.S. has contributed generously to addressing this problem through our bilateral assistance programs (through the Maternal/Child Health and Nutrition accounts) and multilateral assistance (through Gavi—the Vaccine Alliance). Yet, while we are using all of the bilateral and multilateral assistance mechanisms currently available to us, the World Bank estimates that far more funding is needed to meet current needs, particularly among women and children living in extreme poverty and those living in fragile and conflict-affected states. We simply lack financing mechanisms to bring proven and effective programs to scale.

Recognizing that the United States' government cannot and should not close this funding gap on its own, it is imperative that we find another way. We know what the solutions are, but we need to look creatively at ways to bring those solutions to the women and children who need them the most. One approach is to grant

USAID the authority to explore and implement ways in which it can leverage our longstanding moral leadership to bring new resources to the table, complementing traditional bilateral and multilateral assistance.

USAID began this process in 2015 by launching a financing framework to improve efforts to end preventable child and maternal deaths, the outcome of a commitment made at the 2014 U.S.-Africa Leaders' Summit. This framework was designed to help USAID Missions learn the language of finance, identify underlying economic barriers preventing better health outcomes, and understand potential solutions to these barriers. These solutions do not necessarily require additional U.S. funding. Instead, they take a different, more targeted, approach to allocating existing assistance dollars and resources. The long-term goal of the framework is to help countries move toward self-sustainability by increasing each country's own investment in maternal, newborn, and child survival.

The bipartisan Reach Every Mother and Child Act, sponsored by Senators Collins and Coons and cosponsored by 34 Senators in the last Congress, builds on this financing framework by providing USAID with the authorities to explore and implement new tools beyond traditional bilateral and multilateral assistance to leverage additional sources of public and private capital.

One of the key innovative financing mechanisms intended to increase private sector engagement is pay-for-success contracting, also known as development impact bonds or social impact financing. This approach enables the U.S. government to mobilize the private sector, drive innovation and accountability, and protect U.S. taxpayers from ineffective programming. It requires that all partners (including investors, implementers, and outcomes funders) agree on a common goal and a way to measure success. Private investors finance a program aimed at achieving these agreed-upon outcomes. Once the outcomes have been achieved (and confirmed by an independent body), an outcomes funder, such as USAID, would repay the investors. The structure of pay-for-success and its emphasis on results can help to incentivize the most effective solutions to a health or development challenge. If a program does not achieve the intended outcomes, then taxpayers would not be on the hook to repay the investor.

Pay-for-success has not yet taken off within international development circles but we believe that the time to begin is now. In the U.S. we have witnessed first-hand the success of pay-for-success contracting in helping to solve social problems. In Salt Lake City, for example, a pilot project on early childhood education was successful in keeping students in a general education setting. USAID should have the ability to fully explore the use of this financing model, which may help attract new investors to the global health sector, reduce government bureaucracy, reward innovation, and foster greater accountability and effectiveness of programming.

Again, I thank Chairman Corker and Ranking Member Cardin for the opportunity to testify before the Committee today. I look forward to working with you on international development issues in the months ahead.

