

**Statement of Mr. David D. Arnold**

**President**

**THE ASIA FOUNDATION (TAF)**

**Submitted to the House Committee on Appropriations Subcommittee on State, Foreign Operations and Related Programs**

**March 2015**

Madame Chairwoman, Ranking Member & Members of the Subcommittee:

I am honored to submit this testimony as President of The Asia Foundation (TAF). Over the past 60 years, The Asia Foundation has made sustained investments throughout Asia to build democratic institutions, reform economies, promote good governance, support civil society capacity, empower women, and expand cooperative regional relations. These investments have helped to support political and economic reforms and stability in countries throughout the region that today are important and reliable allies for the United States. The Foundation is grateful to the Committee for its support over the years, and especially for funding TAF at \$17 million in FY2015. To sustain and build on this record of accomplishment, The Asia Foundation is again requesting \$17 million for FY2016, which is the same level of funding as FY2014 and FY2015.

Established in 1954, The Asia Foundation is a private, non-profit, nongovernmental organization. An annual appropriation is authorized under The Asia Foundation Act of 1983 (22USC4402). The Act acknowledged the importance of stable funding for TAF and endorsed its ongoing value and contributions to U.S. interests in Asia. Through 18 country offices, TAF works with hundreds of established and emerging Asian partner organizations and identifies reform-minded individuals and future leaders. These investments in human capital have paid off. TAF grantees can be found throughout the public and private sectors in Asia, and are leaders and change-makers in government, industry, academia and an increasingly diverse civil society.

TAF's deep experience, country-specific expertise in Asia and our long-term commitment to and relationships in the region distinguish us from other nongovernmental organizations. TAF is often called upon by the U.S. State Department and host governments to undertake sensitive tasks that only can be pursued by a private organization trusted by government officials and local civil society, such as developing democratic institutions, promoting inclusive economic development and serving as a neutral intermediary in local conflict situations. Our strong credibility and position of trust in Asia make TAF an irreplaceable American asset.

In support of U.S. goals and the rebalance to Asia, The Asia Foundation is requesting \$17 million for FY2016. In making this steady state request, we are very aware of the FY2016 budgetary pressures on the Committee. We respectfully suggest, however, that TAF is an especially cost-effective investment for the Congress in a time of budget constraints. TAF has been commended by the Committee for its proven ability to leverage the funds appropriated by the Congress to raise funds from other non-federal sources. TAF raises over \$4 from non-USG

donors for every \$1 of Congressional appropriations. At the same time, TAF is a lean organization, allocating over 85% of its funding to programs, and is recognized for its low operating to program cost ratio.

The Administration's request of \$12 million represents a cut of 30% in the Foundation's core funding and would be devastating to TAF's ability to meet our goals and serve U.S. interests in Asia. A cut of this magnitude would:

- 1) **Harm TAF's ability to maintain its Asian field office network:** Appropriated funding is critical to TAF's ability to maintain its presence in Asia, specifically in countries of priority to U.S. interests and where no other organization has such history and presence on the ground, including Burma, Malaysia, Thailand, Vietnam, China and India. Trust is built on continuity, and only through TAF's consistent local presence could it have become such a trusted and reliable partner on programs advancing democratic reform and open markets in the region. Closure of TAF offices would breach that trust and curtail TAF's effectiveness on behalf of U.S. interests. For example, because of trusted relations established in Sri Lanka over the past 30 years of cooperation, TAF was asked to assist in sensitive community policing programs. In the post-war context, low morale, poor performance and public distrust of the police has created a crisis for law and order in the country. TAF works with 142 individual police stations across the country to institutionalize community policing practices, such as monthly community police forums, mobile services, and bicycle patrols. TAF also identified the lack of a common language as a significant obstacle to establishing community trust, and developed programs to improve Tamil-language proficiency of Sinhalese police officers who were deployed to multi-ethnic and conflict-affected regions, leading to significant improvements in local relations with the police.
- 2) **Significantly diminish its program responsiveness and flexibility:** TAF's signature approach is to be responsive to needs on the ground, serve as a trusted partner to local organizations, and provide innovative solutions to complex problems. We convene diverse stakeholders from government, civil society and the private sector to negotiate solutions, and provide critical funding for pilot programs with local organizations that often attract other donor funding to scale up, or result in host government commitments to continuation. One example is the reopening of our Burma office last year, initially opened in 1954, to assist in that country's new efforts toward open and just governance. TAF has already made key investments in capacity building to support Burma's Chairmanship of ASEAN, a USG priority in 2014, and in a first-ever survey of citizens' civic knowledge in cooperation with a Burmese research center. TAF made similarly rapid responses to new circumstances when it reopened its office in Afghanistan in February 2002, when it began operations in Timor Leste at its independence in 1999, and soon after Mongolia's break with the Soviet Union, when Mongolia's new leadership sought out TAF's help in 1989.
- 3) **Reduce TAF's ability to leverage other funding:** TAF's successful leveraging of other funds extends and increases the impact of its programs. As noted, for every dollar appropriated by the Congress to The Asia Foundation, the Foundation has leveraged over \$4 from non-USG sources. TAF was particularly successful in this regard under the stewardship of my predecessor, former Congressman Doug Bereuter. Multilateral and bilateral

development agencies, including in Britain, Australia, the Netherlands, and Denmark, have recognized our value and funded a wide range of democracy and development programs. TAF even has a pioneering grant from the Korean development agency (KOICA), their first-ever funding for a non-Korean organization. Private sector support for the Foundation has also increased. The cut proposed by the Administration damages TAF's efforts to make the most of every appropriated dollar. In effect, a cut of \$1 in appropriations would likely result in a cut of \$5 to programs advancing U.S. interests in Asia. As valuable as these public and private leveraged funds are, they are invariably tied to specific projects. It is Congressional funding, through this core appropriation, which provides us the flexibility so essential to maintaining our continuous on-the-ground presence throughout Asia.

- 4) **Be perceived as an indication of U.S. withdrawal from Asia:** Support for TAF is seen in the region as a continued, long-term commitment by the U.S. to Asia. A reduction in TAF's field office presence resulting from a drastic funding cut would send a signal that the U.S. is reducing rather than rebalancing its commitment to Asia.

As you know, Asia is an increasingly critical region to the United States for both economic and security reasons. The region's past decade of economic success often obscures the very real challenges facing the region, including fragile institutions of democracy and governance, lack of adherence to the rule of law and human rights, widespread corruption, political volatility and religious and ethnic conflict. With the support of the Congress, TAF will be well-positioned to capitalize on opportunities to respond to those challenges, focusing on the critical missions that have long been at the heart of our work: promoting democratic governance by addressing the lack of transparency and accountability; expanding sustainable economic growth by assisting small business creation and addressing persistent poverty and rising income inequality; advancing opportunities for women by addressing their exclusion from political and economic life and combating trafficking; reducing ethnic and religious tensions through conflict management and mediation; increasing access to justice and respect for the rule of law and human rights, and strengthening management of disasters, climate change, and water resources.

## RECENT PROGRAM HIGHLIGHTS

One of TAF's signature initiatives is the Books for Asia program, which has provided nearly 50 million English-language books to more than 20 countries – over 717,000 in 2014 alone. Through this program, millions of Asian students and current and future leaders have gained access to global sources of knowledge and a better understanding of the United States. At the urging of Congressional appropriators, TAF began a books program in Burma in 2007. In 2014 alone, TAF donated over 31,000 books to 351 institutions, including 77 community and public libraries and 47 schools, with enrollments rising in the schools that have received books.

In 2014, TAF piloted book mobile programs in Afghanistan, in Jalalabad and Nangarhar. With a small investment of 26,000 books, the book mobile pilot project serves schools for boys and girls in both areas, totaling over 8,000 children. The vans travel to the schools three times per week to lend books to the children, carry out reading programs and meet with school staff and parents to encourage reading. One impact of the program is increased attendance at the schools, where children and their families do not want to miss the book mobile's visit. The media and provincial

government have publicized the program to encourage reading both in schools and at home, a key milestone in a country where the literacy rate is only 28%, and only 12% among women.

In 2010, TAF was chosen by the Philippine Government and the Moro Islamic Liberation Front (MILF) as the only American member of the multinational International Contact Group to support the Mindanao peace process. A peace framework was signed in 2012 after 40 years of conflict. TAF was again chosen by both sides to participate on the Independent Third Party Monitoring Team established by the negotiations to monitor the implementation of the peace agreement. In 2014, TAF and local partners strengthened the peace process by involving the MILF in the mid-level leaders' dialogue and the Bangsamoro Coordination Forum. When local community and clan (*rido*) conflicts threaten the peace process, local partners supported by TAF intervene to negotiate local peace settlements and encourage religious and ethnic leaders to participate in dialogues to support the peace framework.

TAF has long worked to reduce barriers to economic growth and trade. In 2014, TAF co-hosted a regional forum exploring ways the ASEAN community's business environment could be made more conducive to small and medium enterprises (SMEs). TAF's longstanding work on SMEs includes support for women-owned businesses, access to information, business networking and associations, and integration of IT innovations. Building on the forum, TAF and local partners are facilitating the creation of a network of partners in Southeast Asian nations to address non-tariff barriers in the region. In South Asia, where intra-regional trade is at the lowest level in the world, TAF worked with the Consumer Unity and Trust Society (CUTS) on analysis of three key trade corridors between India-Pakistan, India-Nepal and Nepal-Bangladesh to identify major trade facilitation issues, including transit and cargo problems, infrastructure needs, and proposed improvements to regulations affecting cross-border trade. With support from TAF, CUTS is the first non-governmental organization ever invited to present at the India-Bangladesh Joint Group of Customs meeting on trade facilitation at border points.

These are just a few examples of the important impact of TAF's efforts to improve lives and expand opportunities by working with local partners across Asia.

## **FY2016 PLAN**

The Foundation's core work is in five major areas:

- **Democracy, Human Rights and the Rule of Law**
- **Women's Empowerment**
- **Economic Reform and Development**
- **Environment**
- **Peaceful and Stable Regional Relations**

The Asia Foundation is first and foremost a field-based organization. Through a cost-effective combination of grant-making and direct program operations, TAF maximizes program impact while keeping costs low—despite the continuing challenge of providing security for our field office staff, particularly in volatile situations such as in Afghanistan and Pakistan.

TAF makes nearly 800 grants a year to partner organizations in Asia. Past Committee report language has commended the effectiveness of this grant-making role in building local capacity and strengthening civil society institutions throughout Asia, an approach both unique and needed. TAF assistance promotes reform, by providing training, technical assistance and seed funding to new and emerging local organizations, as well as working with established partners. We diligently evaluate and assess our programs' impact and we are proud of our track record.

Level funding at \$17 million in FY2016 would position the Foundation to maintain and extend programs in countries struggling with corruption, internal conflicts and weak democratic processes and institutions. Congressional support at a steady state level would enable TAF to:

- Counter corruption and improve public accountability efforts in the Philippines, Timor Leste, Vietnam and Mongolia;
- Sustain women's empowerment programs throughout Asia, including developing economic opportunity and entrepreneurship for women, supporting girls' education, and countering trafficking and domestic violence, especially during Afghanistan's transition;
- Increase engagement to support Laos in its regional role as the 2016 Chair of ASEAN;
- Promote engagement of traditional leaders, including religious leaders, in community development, women's empowerment, election observation and education in Indonesia, Afghanistan, Bangladesh and Pakistan;
- Support new constitutional developments and democratic governance in the Northern provinces of Sri Lanka post-conflict and post-election;
- Provide leadership development and training for new and emerging leaders through exchanges and TAF's Asia Development Fellows Program; and
- Extend conflict resolution and peace processes in Afghanistan, the Philippines, Nepal and Burma, and in largely Muslim southern Thailand where lack of security and ethnic/religious conflict threatens national stability.

**CONCLUSION:** Over the last two fiscal years, TAF has sustained just over a 10 percent reduction in appropriated funding from the FY11 and FY12 level of \$19 million. Those reductions have already had an impact on TAF's programs. We were forced to close our office in Singapore and scale back our operations in Korea. Funding at \$17 million will sustain The Asia Foundation's investments in key programs that have received Congressional encouragement, such as our continued work in predominantly Muslim countries, including Afghanistan, Indonesia, and Pakistan, and an expansion of our programs in Burma. A significant cut would force TAF to close additional offices largely funded by appropriated funds – such as Burma, Malaysia, Thailand and Vietnam, countries of priority interest to the U.S. – and would threaten other ongoing operations and programs of proven value to the U.S. Government.

We appreciate the Committee's longstanding trust of and support for The Asia Foundation. The Congressional appropriation authorized in the 1983 Asia Foundation Act has been and remains invaluable to TAF's ability to achieve results on the ground and fulfill our shared mission to maintain the U.S. presence and advance U.S. interests in Asia. Thus we respectfully urge that the Committee sustain its support for The Asia Foundation at the current level of \$17 million.

*(A full listing of Asia Foundation programs may be found on our website at [www.asiafoundation.org](http://www.asiafoundation.org).)*