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The U.S. Rebalance in East Asia: Budget Priorities for FY 2016
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Chairman Salmon, Ranking Member Sherman and Distinguished Members of the Subcommittee:

Thank you for the invitation to testify on the role of the U.S. Agency for International Development (USAID) in advancing U.S. foreign policy goals in the East Asia-Pacific region. It is an honor to appear before the committee again. Having worked in the U.S. House of Representatives for nearly two decades, this side of the Capitol always feels like home to me. It is also a pleasure to be here alongside my colleague, U.S. Department of State Assistant Secretary Daniel Russel.

President Barack Obama's fiscal year (FY) 2016 budget request of \$845.6 million in foreign assistance for the East Asia-Pacific represents an 8 percent increase over FY 2014, laying a foundation for long-term strengthening of our relationships with the people of the region.

It is an exciting and pivotal time for U.S. policy in the region. More people live in Asia than anywhere else on the planet. Hundreds of millions have been lifted out of extreme poverty over the past few decades, contributing to economic growth, regional stability and a growing middle class. In the next decade, trade volume in Asia is expected to double, and by 2050, Asia's gross domestic product (GDP) is projected to account for more than half of the world's GDP.

Yet with rapid economic growth come complex development challenges. The Asia region still has the bulk of the world's poor, 70 percent of the world's malnourished children, and the majority of all natural disasters. A host of other development challenges hold the region back, including weak systems of governance, human rights abuses, gender violence, human trafficking, environmental degradation, food scarcity, poor sanitation and severe economic disparities.

President Obama's Asia-Pacific Rebalance policy recognizes that our future prosperity and security are inextricably tied to this region. At its core, the rebalance is about strengthening our relationships with countries — but more specifically people — of the region. USAID focuses on building the foundations for lasting economic prosperity, fostering democratic values that deliver on the needs and aspirations of the people, and combatting the causes of instability that pose threats not only in far-off places but here on our own shores. At the same time, we create markets and foster goodwill abroad.

In the East Asia-Pacific, we are working through three primary approaches to implement USAID's mission of ending extreme poverty and promoting resilient, democratic societies, while also advancing our own security and prosperity:

First, USAID's new model of development leverages the private sector, innovation, technology and regional approaches to further development goals and sustain progress. Rather than delivering results with our dollars alone, we are creating partnerships at every opportunity to deliver focused and measurable results. USAID has truly transformed the way it does business: Five years ago, just 8 percent of USAID's resources were programmed through

this new model which leverages the private sector and game-changing innovation. Today, it's about 40 percent — and with USAID's growing emphasis on building local capacity, it will only increase over time.

Throughout Asia, we are seizing the unprecedented opportunity to leverage new talent and resources wherever possible. One such example is our work through USAID's Development Credit Authority, which uses partial credit guarantees to encourage private lenders to extend financing to underserved borrowers. In the past five years alone, we have helped to leverage \$258 million in private financing for small and growing businesses in the agriculture, environment, tourism and education sectors across Asia. That figure represents USAID's ability to leverage \$26 more in private capital for every \$1 invested.

The new model of development helps build regional solutions. For example, USAID is providing support for the building of the Association of Southeast Asian Nations (ASEAN) Single Window, a hallmark of ASEAN's progress in economic integration. USAID also supports technical capacity building efforts, closely linked to the World Trade Organization's Trade Facilitation Agreement precepts, through the Asia-Pacific Economic Cooperation (APEC) forum to improve supply chain connectivity. Our efforts in both ASEAN and APEC will help streamline customs clearance procedures, increase transparency and lower costs for businesses, allowing increased trade that supports jobs and business opportunities in the United States and ASEAN — our fourth largest export market.

Through the Lower Mekong Initiative (LMI), a multinational partnership initiated by the United States, we are facilitating greater cooperation between Burma, Cambodia, Laos, Thailand and Vietnam on transnational development challenges. LMI focuses on six pillars: agriculture and food security, connectivity, education, energy security, health, and environment and water, with a special focus on mitigating the impacts of large-scale hydropower dams that can severely disrupt the river's major fisheries and degrade food security, livelihoods and water availability.

Second, the Presidential Initiatives on Global Health, Feed the Future, and Global Climate Change are building pathways out of poverty for the world's most vulnerable people.

On global health, there has been tremendous progress in countries such as Cambodia, Vietnam and Indonesia. In large part due to USAID, Cambodia has met its Millennium Development Goals on maternal and child mortality way ahead of schedule and reduced HIV prevalence by more than 50 percent, paving the way for setting the ambitious goal of a zero incidence rate country for HIV/AIDS by 2020. Similarly, the rate of new HIV infections has fallen by nearly 50 percent over the past 10 years in Vietnam with support from USAID and other U.S. President's Emergency Plan for AIDS Relief (PEPFAR) partners.

In Indonesia, one of ten countries globally with the highest multidrug-resistant tuberculosis (MDR-TB) burden, USAID has helped reduce MDR-TB mortality by 82 percent over the past five years with the introduction of cutting-edge technology from California — Cepheid's GeneXpert system, which diagnoses the airborne disease within hours instead of weeks. Now the technology is available in every USAID-assisted country in the region with a high TB burden.

On Feed the Future, our investments have created the beginnings of a viable and sustainable commercial agriculture sector in Cambodia that has helped poor farmers more than triple their incomes through the introduction of horticulture crops and establishing links to buyers. In

Burma, with 70 percent of the population economically dependent on agriculture, USAID is creating opportunities for smallholder farmers that increase incomes and land security and reach 350,000 farm households with new technologies. And, in partnership with my alma mater, Michigan State University, USAID is supporting the formulation of agricultural development policies that promote inclusive economic growth and can help reduce poverty and hunger.

In this year's State of the Union address, President Obama called global climate change "the greatest threat to future generations." In the East Asia-Pacific region, millions of extremely vulnerable people struggle to survive on the front lines of climate change in the face of more frequent and intense storms. In the Philippines one year ago, President Obama made clear that the United States is committed to partnering to address the devastating effects of climate change, and to make the Philippines less vulnerable to extreme storms like Typhoon Haiyan.

Third, USAID is promoting democratic governance and empowering reformers. We know that government by the people offers the best chance for freedom and prosperity. Fighting poverty is often less a question of funding but of effectively addressing the underlying structural problems with governance that hold back many developing countries from realizing their potential. Solutions to challenges will ultimately come from the people of the region and our best chance in promoting democratic change is to empower the reformers by helping them build resilient institutions that are transparent and accountable to the people.

The President's FY 2016 budget request includes significant increases in funding for democratic governance for almost every country in the region — representing a desire to robustly fund such programs. Central to these initiatives is the recognition that civil society is a key pillar in any healthy democracy — vital to strengthening good governance that responds to the needs of the people and shapes a prosperous and secure future. In established democracies such as Indonesia, the Philippines and Timor-Leste, civil society is tackling the challenges of accountability, transparency and building stronger government institutions that can make democracy deliver better results to improve the lives of their people. In countries such as Burma and Cambodia, civil society has gained strength in recent years and is leading the way as critical governing decisions are being made that will determine the course of events for years to come.

Next, I will delve a bit deeper into selected country contexts:

Burma

This is a pivotal year in Burma with national elections scheduled for November, peace negotiations ongoing between the government and ethnic armed groups, and the humanitarian and human rights crisis in ethnic minority areas including Rakhine State and along the border with Thailand. Closely calibrated with diplomatic efforts, our assistance promotes reform by providing support for civil society, the upcoming election, national reconciliation efforts and humanitarian assistance for the most vulnerable in the country.

At the core of our efforts is our support for civil society — which is critical to the durability of Burma's reforms. An emphasis on civil society is prevalent throughout our work in humanitarian assistance, elections, media freedoms, access to justice, land policy, health and agriculture. We are supporting organizations that are advocating for and holding the government accountable to continued reform, for local needs and political imperatives, and those resisting discrimination and violence. To date, USAID has supported over 300 civil society organizations, empowering ordinary citizens to bring change to their country.

National elections are scheduled for November and the formation of a new government should occur in 2016. USAID is helping the people of Burma prepare by building the capacity of the election commission, training domestic election observers, supporting voter registration and education, and strengthening the capacity of political parties. This is a dynamic period and as it progresses we will be reassessing the context and nature of Burma's needs in close consultation with Congress. Whatever the election outcome, the critical work of national reconciliation, democracy-building, economic development, social cohesion, and regional integration will continue, and may take on more urgency amid rising expectations among the people.

We are also supporting national reconciliation in regards to the world's longest-running civil war. Last month, the Government of Burma and 16 armed ethnic groups signed a joint declaration stating that they have finalized a draft nationwide ceasefire agreement. This is encouraging news, but there is still a long road ahead. U.S. foreign assistance plays a vital role in building the capacity of civil society and government to effectively engage in the peace process.

In Rakhine State, humanitarian access is challenging but USAID continues to support sustainable access to drinking water, hygiene promotion, and the distribution of food to internally displaced persons. Elsewhere, USAID assistance improves livelihoods, health and economic growth in thousands of poor, rural communities. On the border with Thailand, U.S. assistance will continue to help over one million displaced people and refugees meet their basic needs by training and empowering the local groups that serve them.

Cambodia

Promoting democratic governance and human rights continues to be the U.S. Government's highest priority in Cambodia. Civil society, while still not fully respected by the Cambodian government, has grown in strength and inclusiveness thanks in large part to USAID assistance. USAID-supported civil society organizations are providing legal assistance to citizens imprisoned for political or labor demonstrations and helping return land to those who had it unlawfully taken from them.

USAID works with Cambodia's government and civil society to strengthen key political and civil liberties, increase citizens' participation in the political process, and combat human trafficking. Mobile technology developed by USAID partners is raising awareness of safe migration to reduce the number of trafficking victims as well as enhance engagement between political parties and their constituents. USAID also supports union leaders, activists and workers to improve working conditions and protect freedom of association for vulnerable Cambodian workers. In part due to USAID facilitation, garment worker unions negotiated a 28 percent increase in the minimum wage that was approved in November 2014.

Cambodia is the only country in the East Asia-Pacific region where all three Presidential Initiatives operate. As mentioned earlier, USAID has helped Cambodia make impressive gains on key health goals through the Global Health Initiative. However, major challenges remain, including increasing cases of drug-resistant TB and malaria and high levels of malnutrition. We are partnering to strengthen health systems and increase access to high quality health care. Through Feed the Future and the Global Climate Change Initiative, USAID is helping subsistence farm households overcome the challenges of low productivity and climate change and ensure sustainable access to a diversified diet and income, while also tackling rapid deforestation. In FY 2014, the United States helped nearly 32,000 farmers use technologies to mitigate the effects of climate change while increasing production and reducing costs.

Indonesia

Indonesia is a democratic success story and a model for other emerging democracies. But despite impressive progress, Indonesia continues to have major governance challenges that could undermine public confidence and significant health problems that pose global threats, in addition to natural resource exploitation and low-quality education and workforce development systems. More than one hundred million Indonesians are living on less than two dollars a day.

In line with the U.S.-Indonesia Comprehensive Partnership signed in 2010, USAID partners with the government and people of Indonesia to strengthen democratic governance and help Indonesia meet the basic needs of its most marginalized citizens through the expansion of education, health, water and sanitation services.

USAID investments in democracy and good governance support Indonesia's commitment to public accountability and rule of law, broad and robust civic participation on the part of Indonesian civil society, and the protection of the rights of all its citizens. After a successful USAID pilot involving four district courts, the Government of Indonesia adopted case tracking technology in all 350 district courts. The new system improves the independence, transparency, accountability and efficiency of court records management and is accessible to the public. In addition, USAID works with the national Anti-Corruption Commission and assists human rights institutions and civil society organizations in improving legal access for vulnerable groups.

USAID partners with Indonesia to help conserve its rich marine and terrestrial biodiversity — among the greatest in the world. Our projects are also conserving large swathes of lowland and peat forest, home to endangered species including orangutans, tigers and rhinos. In addition, USAID supports clean energy development and is supporting the Indonesia Palm Oil Pledge, a commitment by the world's leading palm oil producers to transition to sustainable production that breaks the link with deforestation.

Philippines

In recent years, the Philippines has made substantial economic progress, although one-fifth of the population still lives in extreme poverty. Since 2012, the U.S.-Philippines Partnership for Growth initiative has helped fight corruption as a means of alleviating extreme poverty, including supporting the Philippine government's good governance campaign, which has contributed to the country's robust economic growth. In 2014, foreign direct investment in the Philippines increased by an unprecedented 66 percent over 2013, with the United States being the largest source of investment. At the same time, the Philippines has become one of the fastest growing markets for U.S. food and farm products. To help disperse economic opportunities outside the national capital region, USAID has launched the Cities Development Initiative which aims to develop growth hubs in a select number of second-tier cities.

In health, our assistance in fighting TB — the fourth leading cause of mortality in the country — contributed to the Philippines meeting its Millennium Development Goal of halving TB prevalence rates and improving treatment success rates three years ahead of schedule. In education, our assistance is improving the reading skills of one million children in the early grades, and on the southern island of Mindanao, we are engaging close to 20,000 out-of-school youth, many of whom are vulnerable to recruitment by extremist groups. In addition, USAID's support is leveraging \$40 million a year of Philippine government funds for collaborative research and scholarships with American universities, at a ratio of 20:1 for the first year alone.

The United States provides a significant amount of disaster relief and recovery support while working closely with the Philippines to increase the country's environmental resilience and mitigate the risk and impacts of natural disasters. Since Typhoon Haiyan struck, we've strengthened our partnership with the government, the private sector, diaspora communities and civil society to rebuild typhoon-affected communities, with a focus on increasing the climate resilience of schools, health centers, water sources and livelihoods.

Addressing land tenure issues remains a key priority for USAID, and we continue to work with national and local government to restore land ownership records destroyed by Typhoon Haiyan. Since 2008, USAID has worked to improve the regulatory environment and streamline the land registration process in the Philippines. Just under half of all land in the Philippines is titled, of which 70 percent is residential land in urban areas. Lack of formal access to land and natural resources by a large proportion of the population is a key cause of poverty, a driver of conflict and an obstacle to national development in the Philippines. USAID is committed to addressing land tenure-related challenges in the Philippines through existing programs that focus on judicial strengthening to address land disputes and developing the capacity of national and local government to enhance land tenure and access rights.

Timor-Leste

Timor-Leste is one of the world's poorest countries, with roughly half of its people living in extreme poverty, Southeast Asia's highest maternal and under-5 child mortality rates, and one of Asia's highest illiteracy rates. Since independence in 2002, Timor-Leste has faced daunting challenges as a post-conflict country, but the people have kept their commitment to democracy conducting multiple elections. USAID will continue to help Timor-Leste diversify its oil-dependent economy through programs that foster inclusive and sustainable economic growth to support a rapidly growing population, especially in the agriculture sector. USAID will also continue to improve basic health, particularly for women and children, and to strengthen the foundations of good governance. In addition, USAID will begin to assist Timor-Leste in achieving its foreign policy priority of joining ASEAN.

Vietnam

This year the United States and Vietnam are celebrating the 20th anniversary of normalized relations, an event that marks progress on many shared goals: the expansion of our economic and trade relationship, addressing war legacies such as the remediation of dioxin, progress on disabilities and health, and our work together to reduce Vietnam's susceptibility to climate change and natural disasters.

USAID works in close coordination with other U.S. Government agencies to facilitate activities that are critical to Trans-Pacific Partnership-related reforms. USAID's economic growth and governance programs target rule of law, promote good governance, enhance government accountability, and promote public-private partnerships to help the country achieve better conditions for trade and investment. Through our Governance for Inclusive Growth program, USAID is providing technical assistance to improve compliance with trade agreements, the rule of law and improve our access to Vietnam's growing market for U.S. exports.

Our governments' successful collaboration on dioxin remediation remains an important bilateral priority to address war legacy issues. Remediation of dioxin-contaminated soil at Danang Airport is moving forward and the first phase of thermal treatment of approximately 45,000 cubic meters of contaminated soil and sediment is on target for completion in 2015. Confirmation sampling is

presently underway to determine the results. An additional 50,000 cubic meters is being prepared for the next phase of treatment, and the environmental assessment for dioxin contamination at Bien Hoa Air Base is being conducted.

The PEPFAR initiative is investing in civil society and governance to ensure sustainability of the HIV/AIDS response as we transition ownership to an increasingly capable Vietnam. USAID also supports persons with disabilities by fostering disabilities rights policies; providing physical, occupational and speech therapy services and improving local capacity to provide such services; and strengthening local organizations' advocacy and services for persons with disabilities.

Vietnam is one of the most vulnerable countries in the world to climate change. Just a one meter rise of the Mekong River would inundate 40 percent of the land in the Mekong River Delta where 18 million people live. USAID supports the development and implementation of strategies in low emission development, climate change mitigation and adaptation, and biodiversity conservation. For example, USAID has helped develop a new urban planning tool that is helping Vietnam grow sustainably in the face of escalating climate change impacts. The tool enables city planners to avoid infrastructure development in the most at-risk areas and to easily access mitigation measures recommended by local officials during the siting and design stages.

Regional Development Mission for Asia (RDMA)

As the main hub for regional programming, USAID's Regional Development Mission for Asia (RDMA) partners across 24 Asian nations to address critical development challenges related to environment and global climate change, cross-border health threats, agriculture, democracy and governance, and economic growth and trade — with a primary focus on the Lower Mekong region. Additionally, RDMA is implementing a new nutrition program in Laos that will reduce malnutrition in vulnerable communities, and assisting Tibetan communities in meeting their livelihood needs while preserving their cultural and environmental heritage. RDMA also works with donor partners, including Thailand and Malaysia, and regional organizations like ASEAN to improve development results by pooling expertise and resources.

Conclusion

Mr. Chairman, to echo President Obama's words: "In an interconnected world, we all rise and fall together." No longer do we live in the days where instability does not traverse oceans — whether it's a conflict, famine or disaster sending refugees across borders, financial crisis sending shockwaves across the global economy, or a pandemic quickly spread by international travelers. This dynamic presents unprecedented challenges for development, but also new opportunities to partner to achieve unprecedented gains — and USAID is at the forefront.

I appreciate the opportunity to share with you what USAID is doing in the East Asia-Pacific and look forward to hearing your advice and counsel. I welcome any questions you may have.

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