

**Statement of Gloria Steele**  
**Senior Deputy Assistant Administrator, Bureau for Asia**  
**United States Agency for International Development**

Before the House Committee on Foreign Affairs, Subcommittee on Asia and the Pacific  
***“Budget Priorities for South Asia”***  
July 25, 2018

Chairman Yoho, Ranking Member Sherman, and Distinguished Members of the Subcommittee: Thank you for inviting me to testify on the vital role of the United States Agency for International Development (USAID) in advancing U.S. foreign policy priorities in South Asia. It is an honor to testify before this committee and a pleasure to be here alongside my State Department colleague, Principal Deputy Assistant Secretary Alice Wells.

USAID’s development and humanitarian assistance is key to achieving prosperity and stability for our partner countries, as well as the United States. The President’s Fiscal Year 2019 budget request for USAID-managed assistance in South Asia is \$194.7 million. This request supports USAID efforts in Bangladesh, India, Nepal, and Sri Lanka.

**Indo-Pacific Strategy**

USAID’s FY 2019 request directly contributes to the Administration’s Indo-Pacific Strategy (IPS) of advancing a free, open, and rules-based order. Through our bilateral and regional programs, we will help partner countries strengthen their democratic systems (with a focus on good governance); ensure their regulatory environments for trade, infrastructure, and investment are transparent, open, and free of corruption; and encourage responsible natural resource management, upon which many countries depend for their growth. In accordance with the IPS, we are also supporting India’s emergence as a pillar of stability in the region and examining how we can further strengthen India and our relationship in this regard.

Examples of how USAID’s programs in South Asia will help to implement the Indo-Pacific Strategy are below:

*Strengthening Democratic Systems*

Democratic institutions in South Asia have been significantly tested in recent years. Adversarial foreign influences have exploited weaknesses to undermine democratic institutions and thus, the long-term stability of our partner countries. In line with the IPS, USAID will focus on strengthening democratic systems in this region and will use FY 2019 resources to promote the integrity of electoral processes, including the passage of political and electoral finance regulations; support the independence of media and information integrity; foster evidence-based policy analysis and advocacy; implement anti-corruption initiatives; and amplify the voice of civil society.

Ahead of national elections in Bangladesh tentatively scheduled for December, USAID is working with political party representatives, elected officials, and civil society members including women leaders, journalists, and students, to support the process and help to ensure elections outcomes that reflect the will of the citizens and that democracy in Bangladesh is accountable, inclusive, and transparent. Stability in Bangladesh, a country of 165 million facing

violent extremism and closing civic and political space, is crucial for achieving the objectives of IPS.

In Nepal, FY 2019 resources will help to educate the government on its roles and responsibilities as it transitions to a federal form of government. This transition is the result of the peaceful 2017 elections, which USAID supported. The three local election phases took place after a 20 year gap, and Nepal is now in the midst of a historic devolution of power. Promoting a smooth transition is critical to enabling a stable Nepal that is able to resist foreign interventions aimed at weakening its democratic institutions. We will also continue to strengthen Nepal's public financial management systems to ensure effectiveness, transparency, and accountability in the use of public funds.

In Sri Lanka, FY 2019 resources will help to consolidate democratic reforms ahead of next year's national elections and build upon past progress to address the key obstacles to stability and growth in Sri Lanka. We will support the country's reconciliation, reform, and accountability agenda. The FY 2019 request will also help to strengthen parliamentary oversight committees and key ministries that support government transparency and accountability. In addition, we will assist the Election Commission further transition to an independent and accountable institution. To help make local government more representative, USAID helped increase women's representation in local elected offices from 2 percent to 23 percent.

#### *Promoting Economic Governance, Trade, and Energy*

Despite South Asia's growing wealth, its generally weak regulatory environments, constrained fiscal space, lack of infrastructure, and corruption impede partner countries' growth and create opportunities for foreign predatory tactics that create economic and political dependency. These challenges also hinder free and fair competition by American companies, thus disrupting U.S. private sector investment in the region's fast-growing markets. In line with the objectives of the IPS of creating a free, open and fair economic environment, USAID programs will focus on creating an enabling regulatory environment for competitiveness, trade facilitation, and responsible infrastructure development, including the transformation of the energy sector. FY 2019 resources will also be used to assist countries expand their fiscal space through such measures as improved tax administration and financial management in order to reduce their dependence on debt traps that threaten their economic and political sovereignty.

In Sri Lanka, we helped finalize the Public-Private Partnership Procurement Guidelines with input from key stakeholders, including government and development partners. These reforms level the playing field for firms to engage with the government on infrastructure projects and limit opportunities for corruption. We are also encouraging Foreign Direct Investment (FDI) by working alongside the government to improve the inflexible labor regime -- which the private sector has cited as the single biggest FDI impediment. Additionally, our support to small and medium enterprises (SMEs) created income-earning opportunities benefiting 1,091 households. These opportunities also supported jobs in the U.S., as one USAID-supported Sri Lankan SME now works in partnership with Texas-based company Ceyhinz Link International to produce coconut husk bricks. FY 2019 resources will be used to continue addressing barriers to trade and business entry, especially by U.S. companies, including the implementation of the reformed procurement guidelines, efficient contract enforcement, and compliance with international trade

standards. In this country that has suffered the consequences of falling prey to unsustainable indebtedness, our assistance will help to expand fiscal space, improve financial management, and identify sustainable revenue-generating enterprises.

USAID supported the Government of Nepal (GoN) to expand the country's hydropower potential, as well as improve the energy sector's legal and regulatory framework in order to increase Nepal's own energy resources and promote regional energy trade. Our assistance was vital in laying the foundation for Nepal's \$500 million MCC Compact. As the second poorest country in South Asia (after Afghanistan), FY 2019 resources will be needed to assist the GoN eliminate barriers to entry by investors -- such as corruption and a weak regulatory environment - - and expand its revenue base by helping it achieve the full potential of its hydropower and other income sources. Assistance in these areas is crucial to fostering a free and open economy and creating fiscal strength -- key objectives of the IPS.

Bangladesh, with its huge population, increasing economic growth, and fast-growing middle class, offers tremendous market opportunities for American businesses. However, it lacks access to financing and its non-compliance with workers' rights and labor safety have resulted in the suspension of its Generalized System of Preferences (GSP) trade benefits. To advance the objectives of the IPS, FY 2019 resources will assist the Government of Bangladesh (GoB) to advance workers' safety and rights issues in the GSP action plan. We will also support legal, regulatory, and policy reforms needed to enable the GoB to meet its World Trade Organization commitments, including easing border controls and strengthening compliance. We will explore areas of collaboration with the American Chamber of Commerce in Bangladesh to identify and analyze other barriers to entry that U.S. companies face.

USAID will support India's role in catalyzing regional integration in trade and infrastructure in South Asia. We are exploring additional resources to support our South Asia Regional Initiative for Energy (SARI/E) program which fosters energy security by advancing regional energy connectivity, increasing cross-border energy trade, and expanding regional energy markets. USAID will also collaborate with the Governments of India and Afghanistan to support Afghanistan's economic integration with South Asia. India is critical to achieving a more stable and prosperous South Asia that is free from undue political and economic coercion.

#### *Improving Natural Resource Security and Governance*

USAID helps promote natural resource security and good governance to advance the Indo-Pacific Strategy. Some foreign investments in infrastructure erode the natural resources upon which many of our partner countries depend for their long-term growth. Irresponsible natural resources extraction ignores environmental safeguards, threatens the livelihood of vulnerable populations, and undermines inclusive economic growth and accountable governance. In support of the objectives of the IPS, USAID will identify opportunities in the South Asia region to implement bilateral programs that strengthen legal frameworks, enforce environmental safeguards, and enhance water security.

USAID is partnering with the Government of Bangladesh, businesses, and local communities to better manage Bangladesh's forests, fisheries, and wetlands. USAID has assisted more than 100 community-based organizations to improve the management of an area of forest and wetlands

larger than Delaware. To combat tiger poaching and illegal wildlife trafficking, we have regularized the joint patrolling of protected areas, strengthened law enforcement and prosecution of wildlife crimes, mitigated human-wildlife conflict, and expanded alternative livelihoods to reduce dependence on exploiting wildlife habitat.

### **South Asia Strategy**

To advance the goals of the South Asia Strategy, USAID will deepen our strategic partnership with India, which shares economic and humanitarian interests in Afghanistan; foster regional stability; and support regional connectivity of the South and Central Asian countries. We are looking at how to collaborate with India's development agency to carry out development programs in Afghanistan and elsewhere in the region. This fall, USAID and the Governments of India and Afghanistan are hosting the second "Passage to Prosperity" trade and investment show in Mumbai to raise the profile of Afghanistan's exports and identify opportunities for increased private sector investment from India and the United States. At the 2017 inaugural Passage to Prosperity, more than 200 Afghan and more than 950 Indian businesses negotiated approximately \$240 million in new business.

### **Journey to Self-Reliance**

As USAID Administrator Mark Green often says, "We believe that every person, every community, and every country wants to be empowered to lead their own journey to self-reliance. We also believe that when a country is willing to take on the choices and challenges that are part of that journey, we should do our best to walk alongside them. We try to help our friends strengthen policies that experience tells us are necessary for a country to reach self-reliance and, eventually, prosperity." Across our work, we prioritize building local ownership, engaging private enterprise, and helping partner countries mobilize resources from domestic and international sources to fund their development agenda.

All countries face critical choices in how to best advance their long-term development. USAID's goal is to help partner countries develop their capacity to make clear, informed decisions that further their development objectives. It is particularly important that they put in place the frameworks to attract investors and trading partners. Thus, U.S. assistance is directed toward helping partner countries become self-reliant. Indeed, we have a proud history of helping transform recipient nations into strategic partners, such as South Korea. We advocate free, open, and enterprise-driven development to build resilient markets where state sovereignty and the dignity and rights of individuals are valued.

Strengthening the health of the people of South Asia is key to supporting the self-reliance of our partners. Improved health outcomes ensure that people can work productively and help increase national revenues. Thus, our FY 2019 request for health will continue to support the significant progress we have made in this sector.

Similarly, supporting the improvement of South Asia's education systems is crucial to boosting household and national wealth, thereby accelerating countries' self-reliance. FY 2019 resources will be used to improve the quality of and access to education in Bangladesh and Nepal.

As with health and education, increased food security in our partner countries underpins other development gains. Therefore, FY 2019 resources will be used to strengthen South Asia's Global Food Security Strategy target countries Bangladesh and Nepal

USAID's FY 2019 budget request supports programs in economic growth, democracy and governance, and natural resource management that both propel partner countries along their journey to self-reliance as well as meet the objectives of the Indo-Pacific Strategy. Countries with regulatory environments that foster transparent and rules-based order, strong democratic institutions, and robust enforcement of environmental safeguards, tend to attract more legitimate investors and avoid being subjected to the political and economic coercion of predatory forces.

The following section illustrates how FY 2019 resources will build upon successful ongoing work to help move our partner countries along in their journey to self-reliance.

### *Bangladesh*

Despite being well on its way to graduating from Least-Developed Country (LDC) status, much remains to be done to accelerate Bangladesh's journey to self-reliance. The Rohingya crisis represents both the incredible generosity of the Bangladeshi people but also requires ongoing support from the international community. . In May 2018, I accompanied Administrator Green to Bangladesh and Burma to assess the humanitarian crisis and our response, and urge further action in both countries. We are increasingly concerned about the impact of Rohingya refugees on host and impacted communities, many of which were at or below the poverty level prior to the influx of refugees in August 2017, and we must continue our partnership in Bangladesh to minimize this impact.

To support Bangladesh's efforts to combat radicalization to violence, in September 2017, USAID launched a new program to assess why certain Bangladeshi populations support violent extremism. We are engaging youth to spread positive messages on social media to counteract inflammatory language. We are building the journalists' capacity to conduct investigative reporting to better understand the drivers of violent extremism. And we are partnering with religious leaders and community elders to promote tolerance and respond to the warning signs of radicalization.

Despite these serious development challenges, USAID's nearly 50 years of partnership with Bangladesh have helped put it on track to meet all three UN thresholds required to graduate from LDC status. FY 2019 resources will expand USAID's food security assistance that has helped to more than double fish production between 2011 and 2017. In 2017, we partnered with U.S. companies like Monsanto, as well as Michigan State and Cornell universities, to promote the use of seeds that can withstand the impact of natural hazards, thereby increasing farmers' crop productivity.

The budget request will also enable us to build on our successes in improving maternal, neonatal, and child health, preventing chronic malnutrition and undernutrition, and improving education outcomes. From 2012 to 2017, with co-funding from the UK Department for International Development, we supported a cadre of nearly 10,000 community health workers which provided maternal and child health services to millions of Bangladeshis. We have also helped reduce

under-nutrition among women and children in over one million households. Over the past decade, 91 percent of third graders in USAID intervention schools are now reading with comprehension compared to the baseline of 40 percent, while more than 98 percent of primary school-age children nationwide are enrolled in school.

### *Nepal*

Nepal looks to the United States as a preferred, trusted, and accountable partner. In 2017, we provided voter education to more than 200,000 marginalized individuals and supported the mobilization of domestic observers covering Nepal's 753 brand-new municipalities. We are also making Nepal's public financial management systems more transparent and accountable from the federal to the local level.

FY 2019 resources will also continue to support economic development by working with the private sector to increase agricultural production and market access. From 2012 to 2017, we assisted more than 350,000 households to adopt improved farming practices, resulting in \$170 million in agriculture revenue. Additional resources will support the GoN to expand the country's hydropower potential, as well as improve the energy sector's legal and regulatory framework in order to increase Nepal's own energy resources and promote regional energy trade.

Nepal's 2016 Demographic and Health Survey credits USAID's contribution in reducing childhood mortality by increasing access to maternal and child health services. Working closely with the GoN, our health interventions led to a 28 percent decline in the under-5 mortality rate between 2011 and 2016 while neonatal mortality fell by more than one-third during the same period. Finally, we will continue to stand with Nepal as it recovers from the devastating 2015 earthquake. We have trained over 15,000 construction professionals on earthquake resilient construction and reached more than two million people with safe construction radio broadcasts.

We are working with the GoN to improve quality basic education and build strong human capital for years to come. We are helping implement policy reforms that will enable the government, for the first time, to measure progress toward national education goals. We have also worked with the GON to establish and enforce early grade reading standards across more than 32,000 schools.

### *Sri Lanka*

USAID helps Sri Lanka accelerate its journey to self-reliance by supporting its development as a stable, democratic, and prosperous nation. We are strengthening the Government of Sri Lanka's (GoSL) ability to finance its own development and are advancing reforms to level the playing field for firms to engage with the GoSL on infrastructure projects and limit opportunities for corruption. USAID supported the development and passage of the National Audit Bill which strengthens oversight of public funds by requiring all state-owned enterprises to publish audited financial statements. We are also helping the GoSL create the first electronic procurement secretariat to increase procurement transparency and accountability. These reforms are key for Sri Lanka moving forward on its journey to self-reliance and FY 2019 resources will support these efforts.

### *India*

Since India has increasing capacity and resources, it has been able to assume greater responsibility for many areas in which USAID once provided significant support. Despite India's achievements, the country is home to the world's largest number of TB cases and 20 percent of global maternal and child deaths. The FY 2019 budget request will enable USAID to sustain its partnership with India and help it unlock its own resources -- including from India's robust private sector that is legally compelled to contribute to social causes -- in ways that help the country better respond to the needs of its current population, and beyond.

USAID is supporting the Government of India's (GoI) national campaign for a TB-free India by 2025 -- one of the largest and most important TB initiatives in the world. In 2017, USAID demonstrated a model to map, engage, and train private health care providers in six districts of West Bengal to adopt national TB standards. As a result, TB reporting from those providers increased from 100 to 7,922 cases in just one year. In 2017, USAID's assistance contributed to a 22 percent reduction in newborn mortality from 2015 rates. Finally, our water, sanitation, and hygiene (WASH) program, combined with GoI investments, have enabled the construction of more than three million toilets; more than 1,000 cities have been declared open defecation free; and more than 150 million Indian lives have been improved. FY 2019 resources will assist the GoI to scale up successful interventions in these key health areas by mobilizing India's own resources and generating private sector contributions through innovative financing arrangements.

### **Conclusion**

Mr. Chairman, South Asia is a strategically important region for the United States, with tremendous opportunity that is constrained by significant development challenges. If the region is to increase its stability and realize its full potential, much depends on the development path it charts today. With the FY 2019 budget request, USAID will continue making the most of every U.S. taxpayer dollar to ensure that the development decisions our partner countries make today help move them forward on their journeys to self-reliance and achieve the objectives of the South Asia and Indo-Pacific strategies.

Thank you for the opportunity to appear before you today. I look forward to your counsel and questions.

###