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United States Agency for International Development
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Subcommittee on the Middle East and North Africa and Subcommittee on Asia and the
Pacific
“The Administration’s FY 2017 Budget Request for Assistance to Afghanistan and
Pakistan”
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Chairman Ros-Lehtinen and Chairman Salmon, Ranking Members Deutch and Sherman and Members of the Subcommittees, thank you for inviting me here to discuss the Administration’s Fiscal Year 2017 Budget request for the U.S. Agency for International Development (USAID)’s assistance to Afghanistan and Pakistan. It is an honor to appear before you with the Department of State’s Special Representative for Afghanistan and Pakistan, Ambassador Richard Olson.

I want to begin this testimony by recognizing the sacrifice made by our sons and daughters – and their families – in the military and civilian agencies who have served, and sometimes sacrificed their lives, in Afghanistan and Pakistan. Their tireless efforts, along with our allies, our Afghan and Pakistani partners, make our work today possible.

USAID’s mission is to partner to end extreme poverty and promote resilient, democratic societies while advancing our security and prosperity. I can think of no other region in the world where this mission is more clearly applicable. The President’s FY 2017 Budget request for assistance to Afghanistan and Pakistan reflects our nation’s efforts to advance political stability and economic prosperity which will further strengthen and advance our peaceful partnership with both countries. Over the past several years, with vital support from Congress, we have taken firm steps to ensure our assistance in the region is more efficient, effective and impactful. We appreciate this support from Congress, which reflects the recognition that USAID’s development programs in Afghanistan and Pakistan are critical components of U.S. national security objectives in the region.

No one, least of all me, will say that our work in these two complex countries is not without challenges. Wracked with conflict and instability for much of the last three decades, the region

remains one of the least economically integrated in the world, with the majority of its human capital and economic potential untapped.

Despite these challenges, on behalf of the American people, we have accomplished a great deal. There is a growing understanding and appreciation of our support in the communities where USAID's programs have had an impact. USAID has put forth a concerted effort to increase awareness of our assistance in Pakistan. Our most recent polling data show that awareness of U.S. assistance among Pakistani citizens increased over three years from 34 percent to 47 percent in 2014. Whether it is the shop owner in Lahore whose sales have increased because of more reliable electricity – thanks to USAID's efforts to add approximately 2,300 megawatts of electricity to the national grid, which has benefitted 26 million Pakistanis since 2011 – or the Afghan seed provider who, because of USAID, is now linked to the specialty baking industry, millions of people in the region who have longer life spans, increased access to education and health care, improved economic opportunities, and brighter futures because of America's assistance in their countries.

Sustainable development will require the region's leaders to make fundamental changes. Our assistance programs act as catalysts and incentives for change, and are delivering measurable results that contribute to this potential transformation. The FY 2017 request reflects our continued push toward expanding progress that will build local capacity in facilitating private sector growth, access to essential social services and transparent governance that, in the long term, can undermine support for insurgent groups and stabilize the region.

Although there are inherent risks in doing business in many parts of the world where USAID operates, the Agency prioritizes the effective and accountable use of taxpayer dollars. There is no level of acceptable fraud, waste, or abuse in our programs. All of our projects receive proper monitoring and oversight, and we adjust our efforts as needed within the dynamic security and operational environments within which we work.

In addition to standard USAID oversight measures implemented worldwide, in Afghanistan and Pakistan our project managers rely on multiple data sources to provide information on the progress and effectiveness of USAID activities, triangulate this information, and determine whether adjustments to programming are required. We have also taken measures to prevent funds from being diverted from their development purpose to malign actors. Since 2011, our efforts have kept over \$660 million from being awarded to those who did not meet our vetting standards.

AFGHANISTAN

The stability of Afghanistan will require sustained effort to cement the important development gains that have been made over the past fourteen years. I know from personal experience that the progress made in Afghanistan is remarkable, yet fragile – and we have seen the dire consequences of neglect and disengagement play out in this region before.

Weaning Afghanistan from U.S. and donor assistance is a necessary requirement, and essential for the country's long-term stability. To achieve this goal without triggering further instability, it is essential to continue to provide assistance in areas critical to Afghan economic and political development. We are making tough decisions and prioritizing investments that have the greatest potential for long term sustainability.

USAID's central goal in Afghanistan is to promote a stable, inclusive and increasingly prosperous country. During the past decade, Afghanistan has made remarkable development gains across multiple sectors, thanks to the whole-of-government efforts of the U.S. along with our international partners, the Afghan government and the Afghan people. The key elements of USAID's Afghanistan strategy going forward are a focus on significant achievements in health, education, and women's empowerment; further economic growth focused on private sector development; and supporting effective, transparent Afghan governance.

For Afghanistan, our foreign assistance request totals \$1.25 billion, of which \$1.027 is comprised of Economic Support Fund, Overseas Contingency Operations (ESF-OCO) funds. This request will support critical objectives we share with our Afghan partners in achieving a democratic, secure and sovereign Afghanistan where Afghans find peace, security, and prosperity. FY 2017 resources will prioritize the maintenance of gains made in health, education, and gender equality by strengthening the Afghan government's capacity to deliver social services, increase investments in human capital, and advance and solidify the empowerment of women while supporting improvements in agriculture for long term sustainable development of the country.

USAID Contributions to Development in Afghanistan

In Afghanistan, USAID—in coordination with other donors—has helped Afghans achieve extraordinary gains for a country that in 2002 had virtually no access to reliable electricity,

modern telecommunications or paved roads. We have significantly helped empower women—who are almost half of the Afghan population—to be full contributing members in Afghan society.

Specific achievements include:

- Afghanistan's GDP is now nearly two and a half times greater than it was in 2002 and is currently over \$20 billion; per capita GDP has increased by 70 percent in only 12 years.
- Approximately 57 percent of the population now lives within a one-hour walking distance of a health facility, up from only 9 percent in 2002. USAID has also trained over 2,000 midwives.
- USAID has helped over 84,000 Afghan girls attend community-based education classes, and worked to eliminate the need for Afghan girls to travel long and sometimes dangerous distances to attend school. Over one million Afghan students now attend school, as a direct result of USAID-assistance, and millions of primary grade students have benefitted from USAID-support for new textbooks, teacher training, and educational facilities.
- Women-owned businesses now number over 3,000, with more cropping up every day.
- Independent and privately owned media have flourished, with now over 75 TV and 200 radio stations. In addition, there are 57 officially licensed Internet Service Providers including six Mobile Network Operators functioning in Afghanistan.
- In 2002, only six percent of Afghans had access to reliable electricity. Today that number has increased to approximately 27 percent.

Operationally, USAID has adjusted its implementation model to improve sustainability and meet the challenges presented by the transition. Key adjustments include:

- Developing a multi-tiered monitoring approach to address reduced mobility and decreased field staff that, along with other monitoring and evaluation efforts, will continue to ensure appropriate oversight of projects;
- Incentivizing the Afghan Government to make policy reforms and service delivery that improves government involvement and ownership of development results; and
- Focusing on long-term sustainability through implementing three key principles: (1) increasing Afghan ownership and capacity; (2) contributing to community stability and public confidence in the Government of Afghanistan; and (3) implementing effective and cost-efficient programming.

The United States' Enduring Partnership with Afghanistan

The United States is committed to strengthening its partnership with Afghanistan over the coming years to ensure that our development assistance continues to achieve positive results that align with Afghanistan's priorities and support the country's path to self-reliance. Over the past few years, we have increased the use of more flexible, timely, and targeted assistance, such as through the use of multi-donor trust funds, which increase donor coordination and leverage development dollars.

We also incentivize a portion of our assistance by linking funding to achievement of specific reforms and development results by the Government of Afghanistan, including ensuring fiscal sustainability, governance and anti-corruption, reducing poverty and enhancing inclusive growth. These incentivized funding mechanisms demonstrate our commitment to sustainability and Afghan ownership and are a cost-effective use of our development assistance.

In certain cases, we provide direct assistance through the Afghan government to implement specific projects, but only with strict oversight and careful safeguards in place. This approach increases the Afghan government's capacity to sustain the investments and gains made over the last decade and reduces its dependence on donors.

As USAID looks ahead, we welcome the leadership of the European Union and Afghanistan as they host a ministerial conference on Afghanistan's development in Brussels this October. The conference will build on the 2012 Tokyo and 2014 London Conferences, where the international community declared that we will not abandon Afghanistan, and labeled 2015-2024 as the "transformation decade." The Afghan government understands that it must make a compelling case for continued extraordinary support. Indeed, we are using the conference as an action-forcing event, encouraging the Government to take action now so that it can highlight Afghanistan's increasing self-reliance commitment to reform in Brussels.

PAKISTAN

Pakistan continues to be an important partner for the United States. While our countries do not always see eye-to-eye, our relationship with Pakistan is vital to U.S. national security and strategic interests. In Pakistan, barriers to accessing education, a lack of essential services and limited prospects for employment contribute to regional instability and violent extremism.

Consistent engagement with Pakistan—both its government and people—is the best way to address these challenges, advance our core interests, and help positively impact Pakistan’s long-term future.

The President’s FY 2017 Budget request continues to assist Pakistan and implement long-term solutions to meet its major challenges, helping Pakistan reform its energy sector, adding sources of clean energy generation capacity to Pakistan’s power grid, enhancing U.S.-Pakistan trade and private investment, expanding educational opportunities, and advancing health services

For Pakistan, the FY 2017 Foreign Assistance request is \$742.2 million, of which \$400 million is ESF-OCO funds and \$22.5 million is Global Health Programs-USAID (GHP-USAID) funds. This assistance intends to help develop a more stable, democratic and prosperous Pakistan. ESF funded programs build long-term cooperation with Pakistan on all five priority sectors that are key to Pakistan’s stability and growth: energy, economic growth, stabilization of areas most vulnerable to extremism, education, and health. The FY 2017 request includes funds for the voluntary return of IDPs displaced by counterterrorism operations and support long-term efforts to rehabilitate conflict-affected regions. .

USAID Contributions in Pakistan

USAID’s work supports shared U.S. and Pakistan national security interests by implementing programs to help create a more stable, democratic, healthy, educated, and prosperous Pakistan that is integrated into the region and is a strong economic partner.

Specific achievements include:

- Since 2009, USAID has leveraged Pakistan’s investments in its energy sector to add the equivalent of about 2,300 megawatts of electricity to Pakistan’s system, benefitting over 26 million Pakistanis.
- In the same period, USAID helped tens of thousands of Pakistan’s small and medium-sized enterprises access new markets.
- To date, USAID’s projects have resulted in \$151 million in increased sales of agriculture and manufactured goods, including \$58.7 million in increased exports of targeted commodities and directly supporting over 911,000 rural households.
- Since 2009, USAID has constructed or rehabilitated over 1,000 schools, improving education access for over 110,000 children.

- In 2015, the White House's Let Girls Learn global initiative was launched; in Pakistan its goal is to empower, educate and improve livelihoods for more than 200,000 Pakistani adolescent girls.

REGIONAL

The Department of State and USAID work together to encourage regional connectivity, build economic ties, and support increased partnership between Afghanistan and Pakistan and their neighbors on their many shared economic and security interests. The entire region stands to benefit substantially from increased economic integration, and USAID is laying the groundwork for this by facilitating trade and providing technical assistance for regional energy projects.

For example, USAID works in close coordination with the Department of State to further the goals of the New Silk Road vision to strengthen connectivity between Afghanistan and its neighbors in Central and South Asia, bolstering Afghanistan's economic growth and stability. Since FY2012, \$53.9 million has been committed to programs to improve outcomes across a range of regional energy, trade, water and food security work. Also, in October 2015, USAID sponsored the 4th annual Central Asia Trade Forum, bringing together approximately 400 entrepreneurs, traders, businessman, policymakers, diplomats, and journalists from across Central Asia, Afghanistan, Pakistan, and India to identify trade opportunities.

Furthermore, anticipated water shortages in Central and South Asia present a particular threat for the region, since hydropower plays an important role in energy production. USAID is working with other partners in the water sector, supporting programs that are building a cadre of experts who can better manage water resources across the region. Building these skills is an important element in promoting cooperation on more efficient transboundary water use across Central and South Asia.

CONCLUSION

Let me conclude by thanking the individuals in our military who have served in Afghanistan – and in some cases given their lives – as well as their families. No less deserving of our gratitude are those thousands of brave American civilians who have served in both Afghanistan and Pakistan, whether they are development workers from the U.S. Agency for International Development, diplomats of the U.S. Department of State, or the thousands of men and women working shoulder to shoulder with us as contractors and grantees implementing U.S. programs in

the region. I would also like to recognize the local Afghan and Pakistani citizens who work – and sacrifice – alongside us to ensure their countries’ futures are ones filled with increased access to opportunities, enhanced stability, and a hopeful tomorrow for their children.

As USAID looks to 2017 and beyond, the Agency is committed to making every effort to ensure there is continued and durable development progress in Afghanistan and Pakistan. This progress is essential to secure our overall national security objectives in this complex region. We will continue to make these important contributions while also safeguarding taxpayer funds.

It is an honor to be able to share with you today a small glimpse of what USAID is doing in that regard. Thank you and I look forward to answering any questions that you may have.