

**REVIEW OF THE FY 2017 FOREIGN ASSISTANCE
BUDGET: ALIGNING INTERESTS, ENSURING
EFFECTIVENESS AND TRANSPARENCY**

HEARING

BEFORE THE

**COMMITTEE ON FOREIGN AFFAIRS
HOUSE OF REPRESENTATIVES**

ONE HUNDRED FOURTEENTH CONGRESS

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**REVIEW OF THE FY 2017 FOREIGN
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AND TRANSPARENCY**

TUESDAY, MARCH 15, 2016

HOUSE OF REPRESENTATIVES,
COMMITTEE ON FOREIGN AFFAIRS,
Washington, DC.

The committee met, pursuant to notice, at 10 o'clock a.m., in room 2172 Rayburn House Office Building, Hon. Edward Royce (chairman of the committee) presiding.

Chairman ROYCE. This hearing will come to order.

Today—we will have all the members take their seats—today we are going to review the U.S. Agency for International Development and Millennium Challenge Corporation.

From countering the threat of ISIS to combating pandemic diseases, foreign assistance can advance our national security, and it does it at a modest price. It is important to ensure that all of these investments though, no matter their size, that they are all efficient, that they are all effective. And the ultimate objective here must be to see countries graduate over time from aid.

Economic growth is the foundation upon which all of our development programs should be built: From expanding access to energy and clean water, to improving food security, strengthening health systems, expanding access to capital, advancing property rights—and that means ending land grabbing—and empowering women to participate freely in civic and economic activity. Market-based economic growth is the key to ending extreme poverty and it is key to advancing, frankly, U.S. interests.

In this sense, the Millennium Challenge Corporation is on the right track. By picking poor but relatively well-governed countries to partner with, and by pushing transparency and pushing accountability, MCC is putting countries on the path toward graduation. MCC is again requesting the authority to enter into “concurrent compacts.” And they do this to boost trade regionally. I am pleased to be backing this initiative, along with Congresswoman Karen Bass from Los Angeles.

However, MCC must stay true to its mission. The reality is that its commitment to selectivity and accountability—principles which we legislated here in Congress—is constantly being tested. I just returned from Tanzania, where that government’s commitment to democracy is being tested. It is being tested by rising levels of cor-

ruption in Tanzania, by constraints on freedom of expression, and by a cavalier attitude with respect to the fixing of elections in Zanzibar. A second MCC compact with Tanzania is not supportable under these conditions.

The Agency for International Development also is being put to the test. From “ghost schools” to abandoned irrigation projects and hundreds of millions of U.S. taxpayer dollars exposed to waste, fraud, and abuse in Afghanistan and Pakistan. Presidential initiatives are diverting critical resources away from economic growth. Strategic planning is weak. We need fundamental changes there in Afghanistan and Pakistan.

To its credit, USAID has been working to reform. In many ways it is putting MCC principles in practice. The agency is seeking to focus more on results and innovation, while tapping the expertise and capital of the private sector. It has been helped by Congress’ transparency push, including Mr. Poe’s Foreign Assistance Transparency and Accountability Act, which needs to pass the Senate.

USAID is the global leader in humanitarian assistance and disaster relief. From the devastating earthquake in Nepal, to the deadly Ebola epidemic, to the prolonged refugee crisis in Syria, USAID is most often the first to respond. When lives are at stake, flexibility can be essential. In the Philippines, I saw first-hand Typhoon Haiyan’s devastation there. USAID knew it would take 3 weeks for U.S. food aid stored in Sri Lanka to arrive—12 weeks if they had to ship food from the United States—so they bought food locally. And because they did, they saved lives there.

The administration has rightly renewed its request to “untie” a quarter of the Food for Peace budget from costly, outdated, and inefficient U.S. purchase and shipping requirements that would cost those 4 weeks in a disaster situation like that hurricane. I will continue working with the administration and my colleagues to see that our food aid reaches more people in less time. Again, this is about saving more lives.

New technologies—from vaccines to mobile banking—have accelerated advances in global health, food security, and development finance. USAID and MCC must keep pace by modernizing their work force, by embracing innovation, and partnering with the private sector. I look forward to working with Administrator Smith and Ms. Hyde to address these challenges over the coming year.

Mr. Engel will be joining us late, so I am going to recognize Mr. Sherman of California for any opening statement he might wish to make.

Mr. SHERMAN. Thank you, Mr. Chairman. And I will yield a minute to any other Democrat on this side that has something to say, in part out of my generosity and in part because I don’t have a prepared opening statement capable of filling the time.

Congress can play an important role in foreign affairs by providing adequate funds and providing oversight. This is the most important work I think the Federal Government does because it not only helps the poorest in the world and the most unfree in the world, but it is the best investment we can make dollar for dollar in American security. In fact, we spend roughly $\frac{1}{5}$ of 1 percent of our gross domestic product aiding and providing development assistance to the world’s poor.

When you poll Americans, they say that perhaps we spend 10, 25, or even 50 percent of the Federal budget rather than the 1 percent of the Federal budget, $\frac{1}{5}$ percent of our GDP that we actually spend. Perhaps we should have a national referendum limiting total foreign aid to no more than 5 percent of the Federal budget. I see at least two people in this room that would be happy with that as a target figure.

When you look at our military budget and combine it with veterans' assistance and intelligence, you see that we spend an awful lot on our national security, roughly 5 percent of our GDP. And that doesn't count the most significant cost, and that is the cost in blood when we do have to deploy our best forces into harm's way.

I would want to identify two regions of the world in which I take a particular interest. Our aid to Armenia has helped it alleviate the effect of the blockade imposed on Armenia by Turkey and Azerbaijan. We have, and should have, a robust package for the country of Georgia because part of its territory is still occupied by Russia and it faces significant challenges. And I hope that the region of Samtskhe-Javakhet, I guess it is abbreviated just Javakhet, in Southern Georgia would be particularly aided as part of that process since it has been left out in the past.

And, of course, U.S. aid to Nagorno-Karabakh helps that critical and beleaguered area and people very much in need. We provide demining assistance. We ought to be doing more.

As to Pakistan, there are different regions. And Pakistan is so complicated already if you look at the whole country, but you do have to look at the individual regions. And in the south, the provinces of Balochistan and Sindh have more than 50 million people. The people of Sindh have I think—I won't quite say but by a clear majority rejected extremism. I know that we have spent \$155 million on the Sindhi Basic Education Program, but the Inspector General found some problems. I am told that those problems have been remedied, or at least all the I.G.'s suggestions have been implemented. I look forward to asking questions about that.

And I will look to see whether, yes, Mr. Meeks would have some opening statements. I yield to him.

Mr. MEEKS. Thank you, Mr. Chairman.

I can't think of a more important time in our history than what we are doing right now with reference to USAID or the Millennium Challenge and how important it is. When I think of, for example, capacity building, it is something that can make the difference. When we talk about eradicating poverty, if we can build capacity so individuals can have the ability to create jobs and to participate in the 21st Century, it makes it safer and this whole globe much more secure.

When I think about the issues that are before us, and the issues that we have to deal with on a global scope because the two oceans no longer just protects the United States—and as Mr. Sherman said, we spend a minuscule amount—and when you think about, just look at the agenda, whether it is science and innovation, whether it is global health, dealing with women's health and malaria or global health security, the tropical diseases, whether it is agriculture and the Feed the Future initiative or the Global Food Security Act or food aid reforms and priorities, whether it is democ-

racy and governance that we are dealing with, or global climate change and wildlife trafficking, these are tremendous issues that are—and I can go on and on and on—but that we need to address. And it makes, that affects not only these other countries but it affects us directly also. Because if you look at diseases, how fast they can travel, if we don't solve things there, they come right back here at home.

So I am excited and we will have some questions on some specific regions, but glad that you are here. And I think that we are here at a key strategic time.

Thank you. I yield back.

Chairman ROYCE. Thank you, Mr. Meeks.

This morning we are pleased to be joined by Administrator Smith. She was sworn in as the 17th Administrator of USAID this past December. Before assuming this position, Administrator Smith served as Special Assistant to the President and as Senior Director for Development and Democracy at the National Security Council. And we welcome her to the committee.

Prior to becoming Chief Executive Officer of the Millennium Challenge Corporation, Dana J. Hyde was the Associate Director at the Office of Management and Budget, and previously worked at the State Department. So it is good to see you again, Dana.

Without objection, the witnesses' full prepared statements will be made part of the record. And members here will have 5 calendar days to submit any statements or questions or extraneous material for the record.

So Administrator Gayle Smith. Administrator, I think the red button there.

STATEMENT OF THE HONORABLE GAYLE SMITH, ADMINISTRATOR, U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT

Ms. SMITH. Now am I on? All right, here we go.

Thank you, Mr. Chairman, and other members of the committee for the opportunity to discuss President Obama's Fiscal Year 2017 budget for the U.S. Agency for International Development. I will say I am also delighted to be here next to my friend and colleague, Dana Hyde of the MCC.

For more than 50 years, USAID has led our nation's efforts to advance dignity and prosperity around the world, both as an expression of our values and to help build peaceful, open, and flourishing partners. This request will help advance that important legacy, but our budget line items tell only part of the story. In recent years, with vital support from Congress, we have acted to make our work more efficient, effective, and impactful.

First, recognizing that foreign assistance is just one valuable tool of many, we are making smarter investments with our assistance; leveraging private capital and funding from other donors to scale our impact; and supporting governments, small businesses, and entrepreneurs to mobilize domestic resources for development.

Second, recognizing that development is indeed a discipline, we are improving the way we do, and measure, our work. Since adopting a new evaluation policy in 2011, the agency has averaged 200 external evaluations a year, and our data show that more than 90

percent of these evaluations are being used to shape our policies, modify existing projects, and inform future project design.

Third, recognizing that USAID can achieve more when we join forces with others, we partner with U.S. Government agencies, American institutions of higher learning, NGOs, and communities of faith. When we can achieve greater efficiency or impact, we align goals and strategies with governments and organizations all over the world. Engagement with the private sector is now fully embedded into the way we do business.

Finally, recognizing that development solutions are manifold, we are pursuing integrated country strategies, hoping to build local research capacity, and harnessing science, technology, and innovation to accelerate impact faster, cheaper, and more sustainably.

These and other steps I believe are making us more accountable, stretching our dollars further, and helping USAID to live up to its important role as our lead development agency. For less than 1 percent of the Federal budget, the President's request will keep us on this path, enabling us to meet new challenges, seize emerging opportunities, improve the way we do business, and deliver transformational results on behalf of the American people.

Specifically, the request of \$22.7 billion will help advance progress in the four core pillars of our work: First, fostering and sustaining development progress; second, preventing, mitigating, and responding to global crises; third, mitigating threats to national security and global stability; and, fourth, leading in global development, accountability, and transparency.

In countries around the world, USAID works to foster and sustain development progress in a range of sectors. In global health, we will continue to save lives and build sustainable health systems in the countries where we work. We will also continue to achieve transformational progress through the U.S. Government's major development initiatives, including Feed the Future and Power Africa. We will continue to promote quality education and increase access to safe water and sanitation.

Finally, as we know progress is not sustainable without open and effective governance in a vibrant civil society, the request will enable us to expand our work in democracy, rights, and governance. As a global leader in humanitarian response, the U.S. is there whenever a disaster hits. Our assistance saves lives and protects precious development gains, whether in Syria, in South Sudan, or on any of the four continents affected by El Niño this year.

The President's request provides the agility and flexibility that is so desperately needed to prevent, mitigate, and respond to these global crises.

We also work in places of strategic importance to U.S. foreign policy to mitigate emerging threats and other global security challenges. This request supports these critical efforts, from planting the seeds of dignity and opportunity that offer a counter-narrative to violent extremism, to fostering good will toward the United States. We are addressing the root causes of insecurity and immigration from Central America, strengthening our partners in Eastern Europe and Central Asia, and investing in long-term progress in Afghanistan.

Finally, this request will enable USAID to continue to lead. It includes support for the Global Development Lab to help us spur and integrate innovation across and beyond the agency, and for our Bureau for Policy, Planning, and Learning to help us continue to drive with evidence. It also supports our work to strengthen USAID as an institution and support the men and women of this agency who serve their country bravely in some of the most challenging of the world's environments.

It is a great privilege to serve the American people alongside the men and women of USAID. I look forward to working closely with Congress to continue making USAID more agile, accountable, and impactful. Together we are building the agency we need and the world deserves, and making investments in a better future that will pay dividends for years to come.

Thank you for this opportunity and for your support. I welcome your questions.

[The prepared statement of Ms. Smith follows:]

Testimony of Gayle E. Smith
Administrator
United States Agency for International Development (USAID)
House Committee on Foreign Affairs
March 15, 2016

Chairman Royce, Ranking Member Engel, and distinguished members of the Committee: thank you for inviting me here to discuss President Obama's Fiscal Year 2017 budget request for the United States Agency for International Development. I want to thank you for your continued leadership and commitment to global development.

For more than fifty years, USAID has led our nation's efforts to advance dignity and prosperity around the world, both as an expression of core American values and to help build peaceful, open, and flourishing partners for the United States. This request will help advance that important legacy, but our budget line items only tell part of the story. In recent years, with vital support from Congress, we have acted to make our work more efficient, effective, and impactful.

First, we recognize that though foreign assistance is a valuable tool, we cannot achieve sufficient impact through assistance alone. That is why we are making smarter investments with our assistance; leveraging private capital and funding from other donors to scale our impact; and supporting governments, small businesses and entrepreneurs to mobilize domestic resources for development. Through this approach, we are providing taxpayers with greater value for their money. For example, with every dollar USAID invested into more than 360 public-private partnerships active in 2015, partners committed about \$3.50 in both cash and in-kind contributions over the life of the partnership. In every region and every sector, we are using our assistance to spur investment from other donors, private businesses, and country governments.

Second, we recognize that development is a discipline. We have improved the way we do – and measure – our work. Since adopting a new evaluation policy in 2011, the Agency has averaged 200 external evaluations a year, and our data show that more than 90 percent of these evaluations are being used to shape our policies, modify existing projects, and inform future project design. We are also doing more to measure impact, and working to create the feedback loop to ensure that what we learn is built into what we do. We must continue to institutionalize these practices to ensure we can drive with evidence, make mid-course corrections, scale what works, and, importantly, be fully transparent and accountable.

Third, we recognize that USAID can achieve more when we join forces with others. We have partnered with agencies across the U.S. Government, with U.S. institutions of higher learning, with non-governmental organizations and with communities of faith. Where we can achieve greater efficiency or impact, we also align goals and strategies with governments and organizations all over the world, including donor nations and developing countries. And, engagement with the private sector – including small businesses – is now fully embedded into the way we do business. In fact, in Fiscal Year 2014 USAID was one of only three federal

agencies to receive an A+ rating from the Small Business Administration. Additionally, we are prioritizing local ownership, a key component of sustainable development. Since 2010, we have doubled the percentage of our funding obligated through local governments, civil society partners, and local businesses.

Finally, we recognize that development solutions are manifold. That is why we are pursuing integrated country strategies and harnessing science, technology, and innovation to accelerate impact faster, cheaper, and more sustainably. We are helping to build local research capacity and sourcing new ideas from all over the world. Our Global Development Lab is designed to take smart risks to test out new ideas and help scale successful solutions. We must continue to work to integrate these capacities across the Agency and with our development partners.

These and other steps are making us more accountable, stretching our dollars further, and helping USAID live up to its important role as the United States' lead development agency. I am proud to say that even as expectations grow ever higher, we continue to work hard to meet new challenges, seize emerging opportunities, improve the way we do business, and deliver transformational results on behalf of the American people.

For less than one percent of the federal budget, the President's request keeps us on this path. The request will provide the resources we need to deliver against our most urgent priorities and to advance our mission of ending extreme poverty and promoting resilient, democratic societies around the world while remaining consistent with the levels set in the 2015 Bipartisan Budget Act. Overall, the FY 2017 budget request for the State Department and USAID is \$50.1 billion, \$35.2 billion of which is Enduring, and \$14.9 billion of which is Overseas Contingency Operations (OCO) funding.

The President's budget request of \$22.7 billion for USAID-related accounts will help enable progress in the four core pillars of our work: (1) fostering and sustaining development progress; (2) preventing, mitigating, and responding to global crises; (3) mitigating threats to national security and global stability; and (4) leading in global development, accountability, and transparency.

FOSTER AND SUSTAIN DEVELOPMENT PROGRESS

In countries around the world, USAID fosters sustained and inclusive economic growth, lifts millions of people out of extreme poverty, and promotes open and effective governance. This work has helped propel major gains in a whole host of sectors, from global health to food security, energy, education and water. The President's budget request focuses our resources on what works and uses our assistance to unlock additional funds from other donors, businesses, and most importantly, from developing countries themselves.

In global health, for example, the \$2.9 billion request will continue our work to save lives and build sustainable health systems in the countries where we work. We are focused on three goals:

ending preventable child and maternal deaths, achieving an AIDS-free generation, and protecting communities from infectious diseases. In all of these areas, we have achieved major progress. As part of the President's Emergency Plan for AIDS Relief (PEPFAR), USAID is helping support life-saving treatment for 9.5 million people and in 2015 helped provide testing and counseling for 68 million people. Additionally, our efforts have contributed to PEPFAR being well on track to reach the bold HIV prevention and treatment targets set by President Obama last September. Since 1990, we have helped save over 100 million lives, and the number of children dying preventable deaths has been cut in half. In partnership with UNICEF and other governments, our global leadership on ending preventable child and maternal deaths has spurred action from countries around the world. In fact, the Prime Minister of the Democratic Republic of the Congo recently agreed to increase domestic resources for health from 4.0 to 7.5 percent.

Additionally, our support of Gavi, the Vaccine Alliance has helped immunize two out of every five children born worldwide, and the President's Malaria Initiative (PMI) has helped countries throughout sub-Saharan Africa scale malaria prevention and control interventions, resulting in a major reduction in malaria illness and death. The request will continue these efforts, with \$275 million to support Gavi. To answer President Obama's State of the Union call to end the scourge of malaria, the request also includes an increase of \$200 million to fight malaria, made up of a \$71 million increase to the annual PMI level and a proposal to repurpose \$129 million in remaining Ebola emergency funds for malaria.

Through the U.S. Government's Feed the Future initiative, we will continue to strengthen U.S. leadership in ending hunger, malnutrition, and poverty. We are working in 19 focus countries in Africa, Asia, Latin America, and the Caribbean and are targeting our funds where our interventions have been most successful. The \$978 million request for Feed the Future reflects our evidence-based determination that increased funding for programs in, for example, Bangladesh, Ethiopia, Nepal, Senegal, Tajikistan, and Zambia will enhance our impact in those countries. At the same time, we have made plans to adjust programs in Haiti, Kenya, Mozambique, Rwanda, and Tanzania so we can achieve the same level of impact at a lower cost.

Feed the Future is a powerful example of what we can achieve when the world comes together around a shared global challenge, working with countries that want to take ownership of, contribute to, and be accountable for improving their food security. Over the past five years, Feed the Future and the New Alliance for Food Security and Nutrition have helped build a coalition that has committed more than \$30 billion – including funding from other donors and the private sector. Our coalition includes agencies across the United States Government such as the Department of Agriculture and the Millennium Challenge Corporation, over 70 top U.S. universities, and hundreds of other partners. This coalition has helped achieve major development gains, ranging from a 33 percent decrease in child stunting in Ghana to a 16 percent decrease in poverty in targeted areas of Bangladesh. And now, there is potential for the *Global Food Security Act*, which was passed by the Senate Foreign Relations Committee last week, to ensure that this partnership can continue to build on these gains for years to come.

Like Feed the Future, through Power Africa we have also mobilized a diverse global coalition of bilateral, multilateral, and private sector partners to maximize our impact across Sub-Saharan Africa. USAID and our partners across the government have successfully demonstrated that this model works, and governments across the continent are eager to get involved. Power Africa's recently released Roadmap outlines a concrete plan for how we will achieve the ambitious goal of adding 30,000 megawatts (MW) of electricity generation and 60 million connections by 2030, thereby doubling access to electricity across the continent. Power Africa has already helped transactions expected to generate 4,300 MWs reach financial close. Power Africa will continue to build on our ongoing work to strengthen the investment climate across sub-Saharan Africa and to increase the capacity of African governments and utilities to develop and manage their domestic energy sectors. And just this year, we launched a new app to monitor transactions across the continent in real-time. In addition to improving transparency, this tool will help drive the competitiveness of African markets.

We have much work ahead of us to accomplish our goals, but with the recent enactment of the *Electrify Africa Act*, I am confident that Power Africa will continue to transform sub-Saharan Africa's energy sector to ensure the lights are on in more homes, businesses, and schools across the continent.

I know there is a similar level of bipartisan support for our efforts in education. Over the past four years we have pursued a strategy that emphasizes quality, with a focus on improving early-grade reading, helping young people gain skills important for future employment, and increasing equitable access to education in the many crisis and conflict-affected areas around the world. This outcomes-based strategy is working, and our \$788 million request – along with the additional financing leveraged from partners – will allow us to continue to support education all over the world.

Pursuing this strategy, we have reached more than 30 million children and young people have benefited in more than 50 countries since 2011. Part of the reason for this success is that many political leaders are putting real capital behind education. For example, in Jordan, USAID developed an evidence-based reading and math program that improved student learning outcomes. Now, the Ministry of Education is supporting nationwide adoption of these early grade reading and math policies, standards, curricula, and assessments. Of course, with so much of the world in crisis, ensuring equitable education in unstable environments continues to be a challenge for the global community. USAID is on the front lines of this challenge, whether helping countries like Lebanon and Jordan expand access to education for all despite an overwhelming influx of refugees or acting quickly to set up non-formal education centers for Nigerian families displaced by Boko Haram.

In the coming year, we will continue our ongoing efforts to increase access to safe water and improved sanitation. This request of \$256 million will specifically support water supply, sanitation, and hygiene programming, or WASH. But USAID's commitment to improve access

to water extends well beyond that number; we support water programs in coordination with other sectors, including global health, food security, and disaster assistance. This is also another sector where we leverage a great deal of investment from others, including through partnerships with major corporations like Coca-Cola to improve sustainable water access.

The budget request also continues our important work to foster sustainable development that reflects the realities of a changing climate. The request of \$352.2 million through the Global Climate Change Initiative will further our work overseas to promote low-emissions development and to help our partner nations lighten their carbon footprint, adapt to climate-driven risks, and promote public health. And, we are enhancing our impact by pursuing cross-sector partnerships. For example, on behalf of the U.S. Government, USAID created the Tropical Forest Alliance 2020, a partnership of more than 60 government, private sector, and civil society participants working together to reduce commodity-driven tropical deforestation.

Our work in all of these sectors and more will be essential for fostering sustained and inclusive economic growth all over the world. But progress is not sustainable without open and effective governance. That is why this request also includes \$2.3 billion for USAID's work to strengthen democracy and governance around the world. This support is essential at a time when we are seeing troubling trends like democratic backsliding and closing space for civil society, independent voices, and aid workers. It also enables us to seize opportunities presented by significant democratic breakthroughs, such as last year's breakthrough elections in Burma and Sri Lanka.

And, as I noted earlier, we are continuing to learn more about how to achieve impact with this work. For example, an impact evaluation in Malawi found that an increasing number of well-trained election monitors reduced instances of fraud by up to six percent. And that helped inform our approach in Burma, where among other activities, we trained and deployed thousands of domestic observers. The result was the most inclusive, credible, and transparent election in the country's recent history. We are also working to bolster rule of law and good governance. In partnership with the Millennium Challenge Corporation and countries worldwide, USAID adopted e-governance innovations that revamped procurement systems in Indonesia and Paraguay, reducing corruption in public contracting.

The request also continues our important work to advance progress for women and girls across the world. That includes \$75 million toward the U.S. Government's Let Girls Learn initiative, including the Let Girls Learn Challenge Fund, which will enable USAID to empower adolescent girls through increasing access to quality education and removing barriers to success. Additionally, USAID will continue to pursue efforts to prevent child, early, and forced marriage; support children in adversity, and prevent gender-based violence.

We are also supporting various regional development strategies, including a \$75 million request for Trade Investment Capacity Building to align, focus, and expand current bilateral and regional

trade programs in sub-Saharan Africa and an additional \$10 million request for the Young African Leaders Initiative. Additionally, development is a vital underpinning of the Asia-Pacific Rebalance, and this request includes \$694.4 million to strengthen democratic processes, promote rule of law and respect for human rights, and enhance critical trade efforts and prevent pandemic health threats in the region.

PREVENT, MITIGATE, AND RESPOND TO HUMANITARIAN CRISES

The United States is a world leader in humanitarian response. Whenever a disaster hits, we are there to provide food, medicine, water, even the tools to rebuild. Over the last seven years, USAID has deployed 23 Disaster Assistance Response Teams (DARTs); on average, USAID has responded to 60 emergencies each year. We currently have four DARTs deployed simultaneously – in Iraq, South Sudan, Syria, and Ethiopia. The United States is the single largest donor of humanitarian aid to the Syrian people, and is feeding more than one million people in South Sudan each month. We are responding to El Niño on four continents, including in Ethiopia where our efforts are building on the Government’s strong response and longstanding work to build safety nets for its people. Our assistance is saving lives and protecting precious development gains.

The request of \$3.3 billion in USAID-administered humanitarian assistance accounts provides the agility and flexibility that is critical in preventing, mitigating, and responding to global crises. The request includes additional flexibility in our Title II food assistance program to make it more effective, so we can assist approximately 2 million more people in crises with the requested resources. An additional \$107.6 million is requested to prevent conflict and stabilize emerging democratic processes in critical transition environments, and for quick response to urgent, unanticipated civilian contingencies. This will enable USAID to take advantage of opportunities to catalyze positive change in countries all over the world, as we have done in Burma, Kenya, and Colombia.

We do this work in increasingly challenging environments, as we face crises that are chronic, complex, and severe. These crises strain our resources and take a toll on our people. That is why, even as we continue to respond to the most urgent crises, we must invest now to manage a future of rapid and often tumultuous change. That includes scaling up some of the most effective but least visible work USAID is doing across the agency to foster resilience – or the capacity of people, communities, and countries to withstand external shocks. And it includes using tools like our Famine Early Warning System and fragility analyses to help anticipate crises to the best of our ability.

It also includes staying the course for years to come on the Global Health Security Agenda – ensuring that investments made with funding from the emergency Ebola request in December 2014 continue to prevent the spread of Ebola and other infectious diseases. Ebola, and now Zika, have exposed the degree to which the world is unprepared to respond to infectious disease

threats. These outbreaks serve as an important reminder that all countries need to have the capacity to prevent, detect, and respond to disease threats. Full implementation of the Global Health Security Agenda will protect Americans by extinguishing outbreaks at the source before they threaten our national and global security.

MITIGATE THREATS TO NATIONAL SECURITY AND GLOBAL STABILITY

As the latest National Security Strategy affirms, development plays a “central role in the forward defense and promotion of American interests.” That is why USAID works in places of strategic importance to U.S. foreign policy to mitigate emerging threats and other global security challenges. These are countries where achieving development gains is especially difficult, and development is an especially slow process. But our efforts there are nonetheless critical, from planting the seeds of dignity and opportunity that offer a counter-narrative to violent extremism to fostering good will toward the United States.

For example, the \$470.3 million request for USAID-implemented activities to improve prosperity, economic growth, and governance throughout Central America will help address the root causes of migration from the Northern Triangle countries of El Salvador, Guatemala, and Honduras. A dramatic rise in crime and violence has slowed economic growth in these countries, and USAID has made important progress through crime prevention activities. In fact, an initial analysis indicates a 66 percent drop in homicides in the Salvadorian communities where USAID targets its programming. Guatemala has taken critical steps to decrease impunity, and El Salvador has adopted the most comprehensive national security plan in the Northern Triangle – based on USAID’s community crime prevention model.

We acknowledge that in many of these challenging environments, security constraints and limited staff can make it difficult to monitor projects and measure progress. USAID is committed to responsible stewardship of taxpayer funds in any circumstance. That is why, in Afghanistan, USAID developed a multi-tiered monitoring approach that allows project managers to gather and analyze data from multiple sources, triangulate information to ensure confidence in the reporting, and use the results to make programmatic decisions. To implement this approach and ensure proper oversight, we are scaling up third-party monitoring.

Additionally, the request includes \$698.1 million in Economic Support Fund and Global Health Programs funding to help strengthen market economies and trade opportunities, independent media and democratic institutions, energy independence, and enduring commitments such as health and education in Europe, Eurasia and Central Asia. These efforts are part of the U.S. Government’s broader effort to help Ukraine, Georgia, Moldova and Russia’s neighbors stand strong against increased pressure from Russia.

LEADING IN GLOBAL DEVELOPMENT, ACCOUNTABILITY, AND TRANSPARENCY

This request positions the United States for continued leadership in global development, accountability, and transparency. That includes \$195.5 million for the Global Development Lab (Lab), and our Bureau for Policy, Planning, and Learning (PPL). The Lab will help spur and integrate innovation across and beyond the Agency, while PPL will help us continue to lead with evidence-based approaches to development.

The request will also help support and strengthen USAID as an institution. The requested \$1.7 billion for USAID Administrative Expense accounts will sustain ongoing operations and build on recent reforms, including continued improvements in procurement, local capacity building, innovation, and accountability.

Finally, we cannot lead without the men and women of USAID. Not only do they bring an incredible amount of experience and expertise to critical policy decisions, they are willing to risk their lives in service to their country. In light of that, I ask that you please support the restoration of full Overseas Comparability Pay for USAID personnel who are deployed abroad. In addition to helping the Agency retain highly-skilled individuals in a competitive international jobs market, it will ensure fair treatment for those serving in relatively high-risk locations.

Again, I appreciate the opportunity to discuss the President's Fiscal Year 2017 budget request. It is a great privilege to serve the American people alongside the men and women of AID, and I look forward to working closely with Congress to continue to make USAID a more agile, accountable, and impactful Agency. Thank you again, and I welcome your questions.

Chairman ROYCE. Thank you.
Ms. Hyde.

STATEMENT OF THE HONORABLE DANA J. HYDE, CHIEF EXECUTIVE OFFICER, MILLENNIUM CHALLENGE CORPORATION

Ms. HYDE. Thank you, Chairman Royce, Congressman Sherman, and members of the committee.

I am delighted to be here today with my friend—

Chairman ROYCE. I am going to ask you to, again, try that red button there.

Ms. HYDE. It is on.

Chairman ROYCE. And then speak into the mic.

Ms. HYDE. Is this, is this helpful?

Chairman ROYCE. Yes. Thanks.

Ms. HYDE. I am delighted to be here today with my friend and fellow—

Chairman ROYCE. Just pull that microphone over about four inches. There we go.

Ms. HYDE. How are we doing now?

Chairman ROYCE. Perfect.

Ms. HYDE. We are getting there? There you go.

Over the past 11 years, MCC's model has proven to be one of the most effective ways to transform lives and create opportunities in poor countries around the globe. As MCC turns the corner on its next decade, the agency is well poised to expand its reach and impact.

In Fiscal Year 2017, MCC is requesting \$1 billion to partner with impoverished countries in Africa and Asia. This funding will directly support compacts with Nepal, Lesotho, and the Philippines, as well as threshold programs in Sri Lanka and Togo. It will also enable MCC to move forward with critical investments in Cote d'Ivoire, Kosovo, and Senegal.

In each of these countries, MCC's data-driven approach will promote sustainable economic growth and reduce poverty in three key ways:

First, MCC achieves some of its most dramatic results without spending \$1 of taxpayer resources. MCC's scorecard and global brand have created a powerful incentive for countries to undertake reforms to achieve eligibility, a phenomenon that has been labeled "the MCC effect." Countries like Cote d'Ivoire have taken forceful steps to change their laws and tackle corruption in order to qualify for MCC assistance;

Second, MCC's projects themselves are designed to tap economic potential and spur growth. Nepal, for example, is one of the poorest countries in Asia, and still recovering from last year's devastating earthquake. But Nepal is also endowed with valuable human and natural resources. The flow of water from the Himalayas has the potential to power homes across the country and supply an energy surplus that Nepal can sell to neighbors like India. The Government of Nepal, with MCC's support, is taking steps to turn this potential into reality. By harnessing its natural waters—through capital-intensive infrastructure projects—MCC can help Nepal on the path to long-term growth.

Finally, MCC's programs leave behind more than the sum of their individual projects. MCC's commitment to a country-led, country-owned model of development prioritizes accountability, transparency, and systemic change. Consider MCC's lasting impact in the Philippines. After an MCC-designed and funded road survived a direct hit from Typhoon Haiyan in 2013, the government adopted MCC's resiliency standards and is now applying them to highways across the nation.

With this committee's support, MCC is on a strong footing. Last month, we released a 5-year strategy, NEXT. NEXT charts a course for expanding impact by doubling down on the core strengths of the MCC model. Allow me to share two important priorities.

First, the strategy commits to deepening MCC's leverage of the private sector. Increasingly, MCC is using its grant assistance to incentivize and support difficult sector reforms that help create an enabling environment for private investment. At the same time, MCC is expanding its use of public-private partnerships. Just over \$1 billion in three recent compact investments is expected to leverage nearly \$5 billion in private investment.

Second, it is increasingly apparent that the path to economic growth in many of our partner countries lies in regional integration. After more than 10 years of successfully delivering large, complex infrastructure projects, MCC is well positioned to support the hard and soft infrastructure that will link markets and customers across borders.

The President's request asks Congress to provide MCC with the authority to make regional investments. You, Mr. Chairman, as well as Mr. Engel, Ms. Bass, and others, have been champions of this authority, and I am grateful to the committee for approving language that would support MCC's regional work.

In sum, Mr. Chairman, I am proud and humbled to lead an agency built on the pillars of evidence-based development. In this constrained budget environment, you can be assured that MCC's data-driven investments yield results.

MCC continues to promote American values and catalyze growth around the world. And since day one, MCC has held itself accountable to Congress and to the American people.

Thank you very much for your time and attention, and I will be happy to answer your questions.

[The prepared statement of Ms. Hyde follows:]

Testimony

**House Committee on Foreign Affairs
“Review of the FY 2017 Foreign Assistance Budget:
Aligning Interests, Ensuring Effectiveness and Transparency”**

**Statement by
Dana J. Hyde
Chief Executive Officer
Millennium Challenge Corporation**

March 15, 2016

Thank you, Chairman Royce, Ranking Member Engel and members of the Committee. I am delighted to be here today with my good friend and fellow MCC Board Member, Gayle Smith, and I look forward to discussing MCC's fiscal year (FY) 2017 budget request.

It has been over a decade since MCC was founded as a bold experiment, and in that time the model has proven to be one of the most effective ways to transform lives and create opportunity around the world. MCC's support for the best-governed poor countries has been a critical tool for promoting U.S. democratic values. And it has laid the groundwork for sustained and widely-shared economic growth that lifts people out of poverty.

As MCC enters its second decade, we are ready to build on this legacy. In FY 2017, we are requesting \$1.0 billion to partner with impoverished countries and promote economic growth around the world. With your support, MCC will be able to deepen its impact fighting poverty, leverage additional financing for development, and drive innovation across the U.S. government and the international development community.

In today's complex global climate, smart and effective development aid is essential to ensuring long-lasting peace and shared prosperity. Economic growth, widely shared, can replace despair with hope and give people the opportunity to achieve their full potential. And it can help build markets abroad that will create jobs and expand businesses across the United States.

The world has made significant progress fighting poverty, in large part thanks to the commitment of the U.S. government. Over the last two and a half decades, extreme poverty around the world has decreased by nearly two thirds.

Still, too many communities and nations are stuck in poverty and absent from the global economy. The lack of infrastructure like roads, bridges, power, and ports remains a major hurdle to economic growth. And governments still fail to provide basic services necessary for a productive workforce or create the environment to attract private investment. Too often, the private sector is unwilling to invest because of poor governance and rampant corruption.

To address these root causes of poverty, MCC has invested roughly \$11 billion into compacts with 26 countries, focusing heavily on infrastructure—power, roads, ports, and bridges—that connects people to jobs, markets and opportunities.

The funds requested in MCC's FY 2017 budget will continue to help close the infrastructure gap and promote the reforms that will attract private investment and unleash sustainable economic growth.

MCC drives growth in three interrelated ways. First, MCC achieves some of its most dramatic results without spending a dollar of taxpayer resources. MCC's stringent eligibility criteria and its global credibility have created a powerful incentive for reform,

dubbed “the MCC Effect.” Countries are changing their laws in order to improve their performance on MCC’s annual scorecards and qualify for MCC assistance.

Moreover, the incentive effect does not end once a country is selected as a partner. MCC continues to monitor governance performance throughout the partnership while using its hard-earned credibility to push for major policy and sectoral reforms that complement and sustain the project investments. Together, these reforms and investments help to crowd in private sector investment and create opportunities for more growth.

Second, MCC’s projects—in and of themselves—are designed to reduce poverty through economic growth. In little over a decade, MCC investments already have had a lasting impact on countries, communities, and individuals around the world.

These investments—informed by rigorous analysis identifying the most binding constraints to economic growth—are connecting some of the world’s poorest people to jobs, markets, and business opportunities. MCC funds projects that advance economic growth by providing families with clean water, communities with electricity and roads, farmers with protections for their land, and students with schools that teach the skills they need in the workforce. These projects improve quality of life and empower people to become more self-sufficient, so that they can improve their own lives.

MCC’s recent compacts have largely focused on the power sector in particular. Economic analysis has shown that electricity is key to empowering the poor and fueling the engine of economic growth, but today more than 1 billion people lack access. MCC’s partner countries have consistently identified power investments as the building blocks for sustainable economic development, and the lack of access has been identified as a binding constraint to economic growth in six of the last seven African countries that have signed compacts with MCC. This data-driven approach has led MCC to invest \$1.3 billion in power across Africa, making it a leading partner for Power Africa in fulfilling the goals of the recently passed Electrify Africa legislation.

As a result of MCC’s work in power and other sectors:

- Millions more will be able to light their homes and start new businesses thanks to nearly 4,400 kilometers of new power lines and the reforms that MCC has required to promote private investment in the energy sector;
- Millions of people will travel more than 2,850 kilometers of roads—the distance between LA and Chicago—which connect businesses to markets and fuel domestic and international trade;
- 300,000 household, businesses, and community organizations such as churches and hospitals have legal rights to their land, empowering women as heads of households, increasing individual access to credit, and reducing land-related conflicts;

- 700,000 people have access to clean water, unlocking economic growth potential by, among other things, improving health and life expectancy; and
- 215,000 students have access to schools and training, leading to greater opportunities to enter and be successful in the labor market.

Finally, MCC's compacts and threshold programs leave behind more than the sum of their individual projects. MCC's focus is not only on building infrastructure, but also on building expertise and know-how that endure long after MCC's investment comes to a close. Through MCC's unique country-led approach, countries learn effective project implementation, accountable fiscal stewardship, and transparent procurement processes that outlast the lifetime of a program. As a relatively small agency, MCC's unique ability to incentivize reforms, develop vital new infrastructure, and build self-sufficiency thus enable the agency to punch far above its weight and deliver outsized impact.

Without sufficient funding, MCC will have less leverage to promote reforms or make the large investments needed to empower individuals and drive change. Fully funding the President's \$1 billion request for MCC will provide it with the resources it needs to embed the United States more deeply in the fight against poverty in the economically dynamic and geopolitically important regions of Asia and Africa.

Specifically, FY 2017 funding will directly support compacts with Lesotho, Nepal, and the Philippines and threshold programs with Sri Lanka and Togo. MCC's investments in each of these countries will bolster the gains in democratic governance and economic freedom that each has made and will leverage untapped private resources.

The request does not include funding for other countries selected as compact eligible in December 2015, namely Côte d'Ivoire, Kosovo, and Senegal, which will need to rely on funds appropriated in FY 2018. However, failing to fully fund the FY 2017 request will put additional pressure on the funding available for these countries.

Consider how FY 2017 funding will impact three country programs in particular.

Nepal is one of the poorest countries in Asia. It continues to face extensive development needs, especially in the aftermath of the devastating earthquakes in 2015, which killed more than 8,000 people and left hundreds of thousands homeless. Given the country's weak foreign direct investment flows, chronic underinvestment in critical growth sectors such as energy and transport, and nascent public infrastructure, MCC's investments in Nepal will come at a critical time. The energy and transport sectors, which were identified as binding constraints to economic growth, have compact needs upwards of \$800 million given the extensive requirements identified by the Government of Nepal. Through the compact development process, MCC has identified select high-return projects, achievable within the five-year term of a compact, which address the accumulated need for seismic-resilient investments in capital-intensive sectors. To support these projects, MCC is requesting

about \$300 million for a Nepal compact. As always, MCC will take other donor assistance into account when making final compact investment decisions, and will coordinate with other donors where appropriate. But without full funding of the budget request, MCC may be unable to support the most vital capital-intensive infrastructure needs that would promote sustainable growth in Nepal.

With a population of 99 million, the Philippines is a strategic partner in an economically and geopolitically important region. Despite its economic progress, the Philippines remains an economy with persistent poverty across many of its more than 2,000 populated islands. The Government of the Philippines and MCC are conducting joint economic analysis to identify areas of investment with sufficient economic rates of return. The analysis identified land rights, governance, transportation, and energy as leading constraints to growth. Given the extensive infrastructure gaps in the Philippines and pressing poverty needs across a large archipelago, MCC's estimate of \$430 million in this budget request is modest and may be reassessed as MCC proceeds through the project selection process with the Government of the Philippines.

MCC is also beginning a new partnership with Côte d'Ivoire, a country that has made an impressive transition from crisis to relative stability in recent years. Côte d'Ivoire also serves as a prime example of MCC's ability to incentivize reforms. Several years ago, they set out to pass the MCC scorecard. At the time, they were failing 15 of the 20 indicators, including control of corruption. They established a special team within the Prime Minister's office that changed laws—including providing more rights for women—and tightened controls on corruption. If you were in Abidjan in 2013, you would have seen billboards across the city with warnings to officials and citizens about the consequences of corrupt practices. These efforts paid off. In 2016, Côte d'Ivoire passes 13 of 20 indicators and was selected to develop a compact.

Despite robust economic growth, Côte d'Ivoire continues to face high rates of poverty, with more than a quarter of its population remaining in extreme poverty. Falling commodity prices put the agricultural-based economy at risk. MCC is committed to helping the country fight poverty and increase trade with its neighbors. With full funding to support our FY 2017 countries, MCC will be in a stronger position to maximize its impact in Côte d'Ivoire.

This Committee's support ensures MCC maintains its strong footing. What was a scrappy start-up is now an established and respected tool of U.S. international development. But as an institution committed to innovative development solutions, we believe that MCC must continue to evolve to strengthen and deepen its impact. Last month, MCC released a strategy that underscores key strengths and priorities that will guide its fight against poverty in the years ahead. The strategy seeks to achieve greater leverage and results, partner consistently and catalytically with the private sector and other development actors, and continue to drive innovations in development effectiveness across the development community.

To broaden and deepen its impact, MCC will double down on strategies that work and pursue innovations to promote widely shared, inclusive growth. This focus includes improving efforts to achieve systemic and sustainable change and ensuring that the agency's work is reaching those who need it most.

One essential way to expand MCC's impact is through regional investments. Economies do not work in isolation and poor countries can grow faster, create more jobs, and attract more investment when they are part of a dynamic regional market. Enhanced regional integration can connect countries to export opportunities and provide the ability to import factors needed for their own economic activity, such as power or water. The World Bank estimates that regionally integrated infrastructure could double sub-Saharan Africa's share of global trade.

After more than 10 years of successfully delivering large, complex infrastructure projects, coupled with supporting difficult policy reforms, MCC is well-positioned to support the hard and soft infrastructure that will accelerate regional integration. By making coordinated investments across multiple countries to expand existing infrastructure, MCC could help partners work together to build and grow regional markets, facilitate trade, and capture more impact through economies of scale. In West Africa, for example, MCC could finance the development of electricity or transport infrastructure to facilitate regional trade. Additionally, allowing for regional MCC investments would be a significant tool for the U.S. to increase trade capacity and improve the uptake of the African Growth and Opportunity Act (AGOA) preferences for eligible countries.

The President's request asks Congress to provide MCC with the authority to make regionally-focused investments. You, Mr. Chairman, as well as Mr. Engel, Ms. Bass and others, have been champions of this authority, and I am grateful to this Committee for approving language that would authorize MCC's regional work in bipartisan legislation, H.R. 2845, the AGOA Enhancement Act of 2015.

As part of MCC's vision for the future, the agency is also focusing on leveraging both public and private partners for development. In today's development landscape, traditional aid dynamics are changing, and the private sector plays an increasingly vital role in delivering public goods. MCC will focus on policy reforms and solutions that reduce risks and create opportunities for businesses, and will identify and deploy new ways to draw the private sector into its projects to scale up its investments. Already, in three recent compacts—Benin, Ghana, and Jordan—MCC's total investment of \$1.1 billion is helping to mobilize nearly \$5 billion in private investment.

Finally, looking forward, MCC can and will drive innovation across the U.S. government and the development community. MCC has a world-class staff, and it can continue to lead by example and drive best practices in the global effort to lift people out of poverty. MCC's

commitment to evaluating its projects and sharing lessons learned, as well as its unique ability to scale up innovative approaches, will support MCC's role as a knowledge leader.

I am proud to lead an agency built on the pillars of effective development. In this constrained budget environment, you can be assured that MCC's catalytic investments yield results in their own right while supporting the policies and good governance that will allow developing countries to reduce poverty by growing their own economies.

The challenge is great. Most of MCC's current partners have more than a third of their population living on less than \$3.10 a day. These are among the poorest countries in the world, and MCC works with them because they pass a high bar for their commitment to sound economic and social policies that will reduce poverty among their own citizens. MCC incentivizes this commitment through our competitive standards. We accelerate this commitment through high-value investments in economic growth. And we seek to embed in our partner countries a culture of accountability, transparency, and responsible stewardship that helps sustain and scale progress.

MCC is also driving the effort to turn the frontier markets of today into the emerging market partners of tomorrow. Eleven of America's 15 top trading partners once received development or security assistance. Today, MCC is the single most important bilateral channel for U.S. aid in support of economic growth—the strongest driver of sustained poverty reduction. MCC is creating new opportunities for the private sector, including U.S. businesses, to invest and grow.

Through their support for MCC, the American people are helping to create the building blocks of growing economies and stronger societies around the world. This means better governance, less poverty and more economic opportunity—vital elements of peace and stability in their countries and in ours.

Thank you very much for your time and attention.

Chairman ROYCE. Thank you, Ms. Hyde.

I would just start by mentioning Mr. Chabot's Girls Count Act, which we passed through this committee. And now the administration is working with the Lets Girls Learn initiative.

As Mr. Chabot has pointed out in this committee, keeping girls in school reduces the likelihood that they are going to be made child brides or that they are going to end up trafficked or that they are going to be trapped in poverty. And so we have the Peace Corps and USAID heavily involved now in Lets Girls Learn. Which of the two is leading that effort, if I could ask?

Ms. SMITH. We are working on that effort in conjunction with other agencies, Let's Girls Learn.

Chairman ROYCE. Very good.

That would be, that would be something to look at in terms of how we can, how we can expand the effectiveness.

Food aid reform, I wanted to talk about the flexibility. I raised that in my opening statement. Under what conditions would flexible food aid tools, like local and regional purchase, vouchers or transfers, be more appropriate than in-kind assistance? Maybe you could give us an example for the committee. It is something that I know the administration is looking to advance. This critical need is something I have worked on here for some years. And if you would like to amplify on the need for that, Administrator?

Ms. SMITH. And if you would like me to also take the Let Girls Learn question. Thank you for your support and recognition of the impact of keeping girls in school.

I would note that one of the elements of the request is for something called the Let Girls Learn Challenge Fund, which is aimed at spurring innovations to not only enroll but keep girls in school, because this is one of the other challenges we face.

On the matter of food aid, we have always benefitted and hope to continue to benefit from a mix of commodities and cash. Our request for 25 percent flexibility in Food for Peace is rooted in the need to have flexibility, given the diverse range of crises that we face. In some cases commodities are the best answer. In many cases, for reasons that you pointed to in your introductory comment, a matter of speed, cost, or the type of commodity means that it is far more effective for us to purchase locally.

We have found that this saves time, as you pointed out, but it also, we believe, has the impact of saving as many as 600,000 additional lives.

Chairman ROYCE. Very good.

With the recent elections, of course, in Burma, Burma continues to make strides. But despite this progress, treatment of the Rohingya Muslims in the Rakhine State is abhorrent. Even though we are going to see a new government here take power in Burma, I think the animosity toward the Rohingya runs deep there. And the administration has highlighted bolstering the democratic gains in Burma.

How are we working to change attitudes there toward the Rohingya and affecting the persecution of the Rohingya in Burma?

Ms. SMITH. Thank you, Mr. Chairman, for the question. It is our belief that as we try to continue promoting democracy in Burma, the plight of the Rohingya people is one of the elements that needs

to be on the table. We are, as you know, providing humanitarian assistance. We are about to launch a new program that is designed to improve the livelihoods of the Rohingya people, both for their benefit but also so that they might be more effectively integrated into Burmese society going forward. It is an issue we watch very closely and we will continue to work.

Chairman ROYCE. Thank you.

I also wanted to just return to the issue of MCC compacts, especially years of results, or in regard to what we saw in Tanzania in terms of the attempts to fix the election in Zanzibar. Now that is going to be re-voted on March 20th. But I think there is every reason that we have to use our considerable leverage. Where there is clear violation of the law and corruption of that kind of magnitude, you have to put your foot down and say “enough.”

Also, I will just mention besides the situation in Tanzania on the attempt to fix that election on the island of Zanzibar, we have also got the situation in Peru last week where the Peruvian Electoral Court has barred Julio Guzman from next month’s elections over what they say is a procedural error in his party’s internal nominating process. Now, this is not an issue within his party, it is the opposition, frankly. It is Fujimoro, the rival candidate—Fujimori. And with just weeks until the first round of votes, Mr. Guzman has been polling second to the rival candidate. And now, not by the will of the people but by a 3 to 2 vote on this procedural issue, that is going to determine I guess who is going to lead Peru.

I think that decision risks undermining the legitimacy of whom ever should eventually prevail. And we should be using our considerable influence in situations like this where we see these attempts to steal elections. We should be engaged in that.

I see, also, we are looking at another compact with the Philippines. As you know, we raised this issue of land grabbing in Cambodia where the corruption is driven from the top, from the central government, and from the Philippines where you have local governments involved in the process of land grabbing. And I think as we work to identify land grabbing and poor land tenure policies that are constraints to economic growth, we have to use our considerable leverage as a counterweight here to end those practices.

I have run out of time. So I am going to go to Mr. Engel for his opening statement and any questions he may want to raise.

Mr. Engel.

Mr. ENGEL. Thank you very much, Mr. Chairman. Let me first say, Ms. Hyde, your leadership of the MCC has been exemplary. I want to just say that for the record.

And let me say, as you well know, how pleased I am that Kosovo is now on track for an MCC compact. That is something we have worked for for a long time. And it is just nice to see government responding in a way that I believe it should. So thank you very, very much.

Let me ask, Administrator Smith, I understand that you have worked at USAID during the Clinton administration. And many things obviously have changed since that time. We face staggering needs due to conflict and instability, and our foreign assistance budget remains constrained, which I think is an absolute mistake.

How is USAID different now than it was when you were up there in the Clinton administration? Power Africa and Feed the Future, two of the signature development initiatives USAID has led in the past 3 years, how do these initiatives represent a new and different approach to development?

Ms. SMITH. Well, thank you, Congressman, for the question. I think USAID has changed and grown a great deal. I would point to a couple of things.

It has really become a knowledge institution that adapts and iterates. If I look at programs around the world and the progress that has been made, what I continue to see is an agency that, aided by evidence and analysis, is constantly improving what it does.

A second thing I would point to is its ability to leverage private capital. There is broad agreement in the development community that it takes assistance, private capital, and domestic resources. The agency does a terrific job of bringing all of these to bear.

I think that is true in both Feed the Future and Power Africa, both of which have the benefit of impacting the lives of real people who need electricity, and real farmers who need improvements in their lives, but which are also, in the case of Feed the Future, for example, linking small-holder farmers to markets, improving incomes, while at the same reducing the impact of stunting.

In Power Africa, where we work very closely with the MCC and other government agencies, we are able to do two things: Again, expand access to electricity on the African continent, but also prime the pump of private investment so there is greater confidence and greater ability to draw private capital to viable energy projects. So I think this ability to invest, on the basis of evidence, in sustained outcomes that are really transformational, has been the tremendous progress that USAID has achieved over the last many years.

Mr. ENGEL. Well, thank you.

Let me ask you another question about the Zika virus. A number of my colleagues have suggested that rather than appropriate new funding for the Zika virus outbreaks that we ought to first expend unobligated Ebola response funds. Can you tell me if that is viable? How do you feel about using these unobligated Ebola funds to address the Zika virus? And what ramifications might we face if we were to shift this unobligated Ebola funding toward our Zika response?

Ms. SMITH. Thank you. As Congressman Meeks has pointed out, and as I think we all know, we are going to see the spread of these kinds of diseases more and more frequently, as we have with Ebola and now Zika. We have identified some resources and are moving out with \$2.5 million on Zika on public information campaigns.

I will tell you honestly as somebody—as we now face the 2-year anniversary of the start of the Ebola epidemic—who worked it every single day for over 14 months, I have some great apprehension in spending down unobligated Ebola resources for Zika. And I will tell you why.

These resources, in the first instance, are planned for a number of activities that are ongoing; so they are being spent down. Those include ensuring that we are prepared for any case of Ebola that we see and the threat of a possible outbreak. We were extremely lucky that the individual case in Nigeria that we saw at the height

of the epidemic did not spread further. But I want to emphasize that we were lucky. I am very hesitant to suggest that we should take the risk of an unmanageable outbreak and be unable to respond.

Second, in the three countries that were affected by the epidemic, there is an urgent need to build back their health systems but, also, incorporate and sustain their ability to do things like lab testing, run burial teams, keep trained healthcare workers who can respond again when and if we see additional cases.

Finally, resources are going to what is called the Global Health Security Agenda, which is the long-term solution to this and Zika, which has to do with building the capacity of our partners to prevent, detect, and respond to outbreaks like Ebola and Zika.

Mr. ENGEL. Thank you. Let me just quickly ask, Ms. Hyde, your testimony mentioned the changing landscape of poverty and your strategy for the next 5 years. The World Bank's report on gross national income provides estimates on global poverty. And the report is a good starting place but it doesn't always accurately capture where poverty is found around the world.

So let me ask you, as MCC looks ahead, what are some of the ways that you will try to better measure poverty to improve the impact of the MCC model and its programs?

Ms. HYDE. Thank you, Congressman. And thank you for your comments on Kosovo. We just had a high level delegation return and are delighted with the engagement thus far on our compact.

Mr. ENGEL. As am I. Thank you.

Ms. HYDE. Yes. MCC's 5-year strategy focuses on a number of areas. Two I highlighted in my oral statement. First, the deep focus on leverage and private sector engagement.

Second, MCC is working in the reform space. That is, how do we incentivize and support governments to undertake really challenging reforms in sectors that can enable private investment and other donor investment?

With respect to poverty, MCC only works in poor countries. I believe MCC should only work in poor countries. But what we know is that over the last decade there have been a number of shifts in poverty. Right now, that candidate pool is assessed based on per capita income. And the challenge with average incomes, GNI, which is the World Bank measure, is that in cases where there is extreme inequality, or in countries where there is concentrated natural mineral wealth, it really doesn't address what the percentage of poverty is and where it exists in those countries.

MCC is a data-based organization. We are undertaking a thorough examination of other sources of poverty data and how we might better capture that. And we look forward to working with the committee in coming forward this summer with some ideas and proposals with respect to that.

Mr. ENGEL. Thank you. And, again, thanks to both of you for extraordinary work. We really appreciate it. Thank you.

Chairman ROYCE. Thank you, Mr. Engel.

Mr. Dana Rohrabacher from California.

Mr. ROHRABACHER. Thank you very much. And I also thank you for your service. You work really hard and you try to keep us in-

formed. You have had some meetings with me as well, and I appreciate that.

Just some notes of concern, and that is when you talk about land grabbing, the chairman mentioned land grabbing in the Philippines and elsewhere, it is not just land grabbing but there are also claims, as we have talked about, American citizens, their projects, their property, their industries have been confiscated by various governments throughout the world. The one, of course, I have a constituent directly involved in Ethiopia that has taken possession of a very important industry in that country and will not give the property back. And I would hope, as we have talked, that in countries that are themselves, their government are taking property or if they are acquiescing to land grabbing that we should not be using the Millennium Challenge account to subsidize those governments.

I would just say that we do have a little problem in our own country. It is called eminent domain. And just ask Mr. Trump; he knows all about that and utilizing it for his benefits. And we have to make sure that we are following our own principles as well when I suggest that.

One last note and I am going to then yield to my friend Mr. Smith from New Jersey, and that is I really believe that we should be focusing on humane and humanitarian crises rather than development. I don't think development is something that the American people are responsible for developing other countries. We are responsible as human beings, when other human beings are in danger and natural catastrophes, or even situations where war has come in and a lot of people are, lives are at risk, yes, we must help people out. But developing their country, helping them develop their country, I don't necessarily think we can afford that anymore.

And with that said, I yield the rest of my time to Mr. Smith.

Mr. SMITH OF NEW JERSEY. Thanks for yielding. Thank you.

Administrator Smith, thank you for your work, especially with the Enough campaign which I think is extraordinary, particularly the work in Sudan. Let me just ask you a couple of very quick questions.

The End Neglected Tropical Disease Act, my hope is that the administration can support this bipartisan legislation. We have had seven hearings in my subcommittee on these devastating diseases, of which Zika virus is one, Ebola another. Can you support the legislation?

Secondly, yesterday the House passed two resolutions, one calling the horrific murdering of Christians a genocide in Syria, and a second bipartisan resolution calling for the establishment of an independent ad hoc Syrian war crimes tribunal. My hope is that everyone who cares about the humanitarian impact that war has, particularly when it is a genocide, could weigh in on the administration, other parts of it, to make a determination. The President has until Thursday. Our hope is that he will do both. They go tandem.

Article 6 of the Genocide Convention, as we all know, makes very, very clear that the prosecution of individuals who have committed genocide is a treaty obligation under the Genocide Conven-

tion. And an international tribunal is a venue that is well adept to that.

And, finally, Ms. Hyde, why is there no role for faith-based organizations in the selection criteria? I know Yale, Columbia, UNESCO, World Bank all have input. Faith-based groups are the most efficacious groups on the ground in delivering humanitarian aid as well as developmental aid. Why aren't they included in that?

Thank you.

Ms. SMITH. Thank you, Congressman. And thank you for your particular recognition of the work on neglected tropical diseases. As we have discussed, I think the gains there have been extraordinary: If you look at the delivery of 287 million treatments over the last 10 years, and an annual \$2 billion leveraged in contributions.

One of the things we are doing is looking outward at what the plan should be over the next 10 years, because I think that if we remain on a steady course we can get neglected and eradicated tropical diseases in many cases.

Thank you for your comments on the resolutions which I have noted and will duly share. The plight of Christians, of minorities throughout the Middle East has been something that has been of great attention to our agency. We strive to ensure that humanitarian assistance is delivered to all. Also, through our own faith-based office, we have received many delegations from these groups and others, and we intend to continue.

Thank you.

Ms. HYDE. Thank you, Congressman, for the question.

With respect to the indicators themselves, we would be happy to take a look if there is a specific indicator that might be appropriate in terms of measuring growth. You know, most of the indicators that we are using are the IMF, the IFC, the World Bank and these kinds of sources. But if there is some gap that we are missing—

Mr. SMITH OF NEW JERSEY. Well, you know that there are NGOs like Freedom House and others.

Ms. HYDE. Freedom House and others, yes.

Mr. SMITH OF NEW JERSEY. And the faith-based groups, Catholic Relief Services—

Ms. HYDE. Yes.

Mr. SMITH OF NEW JERSEY [continuing]. Samaritan's Purse, they are absolutely essential.

Ms. HYDE. Yes. No, I couldn't agree—

Mr. SMITH OF NEW JERSEY. And they should be contributing, I would say, to that criteria.

Ms. HYDE. Couldn't agree more. So to the extent it may be the inclusion of a new indicator. I will say that with respect to our designing investments and our civil society outreach, faith-based groups are absolutely part of where we reach out to country by country. In fact, our work with Niger this year will prove as a good example of that.

But we are always seeking to see if there is a data source that we are missing that could be appropriate. And I would be happy to follow up with you on that.

Mr. SMITH OF NEW JERSEY. Yes, let's do that.

Ms. HYDE. Okay.

Mr. SMITH OF NEW JERSEY. Thank you, Mr. Chairman.

Chairman ROYCE. Thank you. We go now to Mr. Brad Sherman. And without objection, I am going to yield a couple of minutes to Mr. Sherman to—you had some remarks on the House Floor last night that I think in the interest of the committee might be well served if I just yield to you a few minutes right now, Mr. Sherman, to reiterate your observations about the Senate and the House.

Mr. SHERMAN. Thank you, Mr. Chairman. I will give you a 1-minute report on our consideration last night of S. 2426. Some in this committee will have noticed that that bill, that Senate bill we considered last night was identical to H.R. 1853, written by Mr. Salmon and passed by this committee. And so I will report to you on that coincidence by quoting the remarks I made on the Floor last night:

“The House passed H.R. 1853 overwhelmingly last year. We sent the bill to the Senate. Instead of acting on the House bill, the Senate Xeroxed our bill, put their own name on it, and sent it back here. The decision to send the bill back to us with their own name on it is a trend that we are seeing in the foreign affairs area, a trend that I do not condemn because it allows us here on the House Floor to consider well-drafted House bills not once but twice, and to vote on them twice, and to emphasize to the administration how serious we are about them being enforced.

“I appreciate the Senate copying our work, since imitation is the most sincere form of flattery.”

Anyway, that is the report from last night.

Now I want to address the witnesses. First, as I want to associate myself with the chairman’s remarks on the Rohingya and note again the importance of fighting the Zika virus and other, other infectious diseases. And this is part of our national security, since these diseases which we call tropical are coming our way, whether that is for a host of reasons.

As to Southern Pakistan, which I mentioned in the opening statement, I want to commend you from one—from, let me see, the construction of 26 schools that you have started, both girls’ schools and primary schools, training 113 supervisors. And I wonder if you could comment, Madam Administrator, on your work in Sindh and Balochistan?

Ms. SMITH. Yes, sir. And thank you for your comment again on Zika. I think it is extremely important that we all recognize that this is a new and modern threat that is going to continue to challenge us.

In Sindh Province—and thank you for your recognition of the work—we have, as I think you know, a comprehensive development assistance portfolio that includes repairing power stations, developing a workforce program targeting disadvantaged youth, increasing enrollment in schools, and improving infrastructure, and technical capacity to deliver quality health services.

You have pointed to some of the results we have seen. I would also like to point out the Health Infrastructure Improvement Program which trains over 1,300 healthcare workers and provides care, importantly for 140,000 women annually.

Mr. SHERMAN. Thank you.

I have been advocating for direct aid to Nagorno-Karabakh since 1997. It is an important investment we make in peace in that region and in support of a negotiated and democratic solution. Recently, aid direct to Nagorno-Karabakh has dropped to \$1.5 million per year, principally directed at demining.

Can you explain why we are not doing more, given the fact that this area is beleaguered and in need of help?

Ms. SMITH. Thank you for that. And as you know, we are operating in an environment that forces some tough choices. I think the good news is that we have seen in the Fiscal Year 2017 request, increases across the board for that region.

In addition to demining, we have also supported humanitarian assistance. Should there be a recurrent need for that we are always, as in any part of the world, willing to take another look at that.

Mr. SHERMAN. I will look forward to talking to you and showing you that that need has already occurred.

Ms. SMITH. Absolutely. I would love to do that.

Mr. SHERMAN. And obviously a lot of countries are seeing refugees from Syria. And we are helping Turkey. That is well publicized. Many of the Christian refugees are making their way to Armenia, especially being ethnic Armenians. Are we providing aid to the Government of Armenia to take care of those refugees?

Ms. SMITH. We are providing some assistance to help with refugees who have migrated to parts of Europe, as well as trying to concentrate our assistance both for people inside Syria and those in the surrounding regions. In addition, the State Department, through PRM, is providing assistance to those people.

Mr. SHERMAN. You wouldn't happen to know how much is going to Armenia for assistance?

Ms. SMITH. I can get that specific answer for you.

Mr. SHERMAN. I look forward to it.

Ms. SMITH. I would be happy to provide it in writing or in person.

[The information referred to follows:]

WRITTEN RESPONSE RECEIVED FROM THE HONORABLE GAYLE SMITH TO QUESTION
ASKED DURING THE HEARING BY THE HONORABLE BRAD SHERMAN

The United States provides support to Armenia for refugee assistance through the United Nations High Commissioner for Refugees (UNHCR). UNHCR has provided approximately \$20 million for Armenia since 2012. UNHCR estimates that there are approximately 15,690 refugees in Armenia, as of June 2015; as the United States provides roughly 35 percent of UNHCR funds, that means the United States has provided approximately \$7 million to Armenia in refugee assistance, which comes to approximately \$446 per refugee.

Mr. SHERMAN. Thank you.

I want to again commend you on your work. And yield back the rest of my time.

Mr. CHABOT [presiding]. The gentleman yields back. I now recognize myself for 5 minutes.

And, again as the other members have said, we welcome you here and your testimony. Let me ask you this, Madam Administrator, how much taxpayer money is the President requesting for the Global Climate Change Initiative?

Ms. SMITH. Well—

Mr. CHABOT. Could you turn your mic on, please.

Ms. SMITH. Sorry.

Mr. CHABOT. That is all right.

Ms. SMITH. I can get you that. For USAID specific funding I believe it is in the range of \$300 million.

Mr. CHABOT. Okay.

Ms. SMITH. I have that right here. I will look it up for you.

Mr. CHABOT. All right. Let me, correct me if I am mistaken here, but I have been led to believe that it is \$483.9 million?

Ms. SMITH. I am happy to look at that figure specifically.

WRITTEN RESPONSE RECEIVED FROM THE HONORABLE GAYLE SMITH TO QUESTION
ASKED DURING THE HEARING BY THE HONORABLE STEVE CHABOT

The USAID FY 2017 request for Global Climate Change funding is \$352.2 million. The State Department request is \$631.7 million, which includes \$500 million for the State Green Climate Fund.

Mr. CHABOT. Okay. Well, for the purpose of my next questions, if you will assume that that is the number, unless you have one of your folks find out it is different, in which case I am happy to be corrected. I see you are getting handed a piece of paper there now, so.

Ms. SMITH. I am. Three fifty-two.

Mr. CHABOT. \$352 million, so $\frac{1}{3}$ billion approximately.

Ms. SMITH. Yes.

Mr. CHABOT. All right. Well, the numbers that our crack staff had supplied to us was \$483 million. But in Washington, \$150 million that we are not clear about some people might think that that is not a big deal. I think it is a pretty big deal. But let's, let's maybe by the end of the day we can come up with the exact figure. But let's assume it is somewhere between \$352 million and \$483.9 million.

But that doesn't change the focus of my next couple of questions, which is this: This nearly $\frac{1}{3}$ billion or $\frac{1}{2}$ billion of the hard-working American people's tax dollars is pursuant to commitments that were made at last year's Paris Climate Conference; is that correct?

Ms. SMITH. Our work—and I can confirm it is \$352 million. We would be happy to go over specific numbers with you or your staff. But those figures reflect—

Mr. CHABOT. But that is not my question now about the amount.

Ms. SMITH. Sure.

Mr. CHABOT. It was pursuant to the President's commitment at the Paris Climate Conference last year?

Ms. SMITH. Actually, the work that USAID does in this area we have been doing for many years.

Mr. CHABOT. It has nothing to do with the Paris Climate Conference?

Ms. SMITH. Part of our Paris commitment included—

Mr. CHABOT. Some amount of the money is pursuant to the President's commitment last year; is that correct?

Ms. SMITH. Yes, sir, I believe it is.

Mr. CHABOT. Okay, thank you.

And how much input did the duly-elected representatives of the American people, which would be the House of Representatives and the Senate, have in making those particular commitments, regardless of what the commitments might have been previous to that, but how much involvement was there by the folks here, the elected representatives of the American people in that commitment at the Paris Global Warming Conference?

Ms. SMITH. Congressman, I wonder if perhaps you are referring to the Green Climate Fund?

Mr. CHABOT. Do you remember when they had the pretty horrible attacks on Paris, the terrorist attacks last—

Ms. SMITH. Yes, sir.

Mr. CHABOT [continuing]. Last year?

Around that time, shortly after that there was this Global Climate Conference in Paris, wasn't there?

Ms. SMITH. Yes.

Mr. CHABOT. Okay. That is what I am referring to.

Ms. SMITH. Yes.

Mr. CHABOT. Okay. The President commits a whole lot of money. Did he seek, did he get approval from Congress on that? It is a pretty simple question I think.

Ms. SMITH. Yes. And if I may, two quick points on that. If indeed you are referring to the Green Climate Fund, that is something that the State Department has determined it has the authorization to make the grant that was made.

From the perspective of USAID we have—

Mr. CHABOT. Let me go on with my time. I have only got a minute left here.

Ms. SMITH. Okay.

Mr. CHABOT. You can correct me for the record later on if you want to, but I don't think there was a whole lot, we certainly didn't vote on approving what the President committed of the hard-working American people's dollars.

And there is at least one Senator that apparently believes that so-called climate change deniers—and I would argue that that language itself is reprehensible because it infers that people that don't buy in completely to the fact that we ought to be spending huge amounts of money when it could be considerable loss of jobs and taxpayer money spent, and it kind of compares deniers of the Holocaust to people that are skeptical about climate change—but in any event there is at least one Senator who thinks that the Justice Department and the FBI should be pursuing legal action against so-called climate deniers.

So my question would be—and I am almost out of time—but my question is am I or anybody else who might be skeptical about huge amounts of money, whether it is \$350 million or whether it is \$450 million that are going toward these types of initiatives, are we in some legal jeopardy for expressing some concern about the use of the American people's tax dollars in that way?

Ms. SMITH. Sir, it is my considered view that expressing your views and opinions are absolutely your right and prerogative.

Mr. CHABOT. Thank you. I appreciate that greatly. Thanks for your testimony.

My time has expired. The gentleman from New York, Mr. Meeks, is recognized for 5 minutes.

Mr. MEEKS. Thank you, Mr. Chairman.

Let me, you know I don't think I did this initially, let me say I think this is the first time that you, Madam Administrator, have been here as the new Administrator for the USAID. Let me congratulate you on being confirmed and in your new job. I had the pleasure of working with you in the other, in the Clinton administration and others, particularly on Africa. And know I look forward to working with you in the future. And congratulations and welcome.

Let me just first ask when talking about Trade Africa, you know we have worked on Africa together, and I have been a promoter of increased regional trade in Africa and in increased trade between Africa and the United States. And I know that trade, the Trade Africa initiative, is a new approach, a multi-agency approach with the potential to significantly assist in expanding U.S. trade.

And the initiative, or a key goal of the initiative, is to build U.S.-African trade and investment hubs in three African regions which are supposed to function as a resource both for African exporters and U.S. firms. So can you tell us what the status is of the three hubs and what are USAID's main activities in current and prospective challenges under Trade Africa?

Ms. SMITH. Thank you for your longstanding support of Trade Africa, even before it was named.

We have the three hubs, and those are doing a number of things. One is working with potential partners who under the terms of AGOA want to increase trade with the United States.

Second is to train and work with entrepreneurs, small businesses, and others, including with a special emphasis on women in terms of the value chains that we support.

And the third is supporting efforts for regional integration, which is very important as you know. The size of many of these economies in each of the three regions are very small, and their ability to trade both with each other and as regional trading blocs will be significantly enhanced by their ability to integrate. So there is a lot of work on the policy and reform side.

Mr. MEEKS. And let me ask also, are there any other trade and investment—focused activities that USAID is supporting in Africa? Let me ask that. And then—

Ms. SMITH. Yes.

Mr. MEEKS. Go ahead.

Ms. SMITH. No, go ahead.

Mr. MEEKS. Go ahead, because I am going to change to a different country in the second question.

Ms. SMITH. Yes, there are efforts underway to work on trade facilitation as part of the WTO agreement, which I think you have followed, and to help countries as they work toward WTO accession.

Mr. MEEKS. And let me ask now because I am taking the rest of my time on this, President Obama has proposed \$450 million in Fiscal Year 2017 for assistance for Colombia in what we are calling Peace Colombia. I was a huge supporter of Plan Colombia and believed that supporting peace in Colombia is equally crucial. But I

also know that the region that was most affected was the African-Colombian and indigenous communities in Colombia have been disproportionately affected by violence in the nation's long-lasting conflict.

So my question is, how do you envision U.S. assistance to Colombia helping those communities specifically? And which USAID programs do you envision plussing up? And which program do you think that you can envision phasing out?

Ms. SMITH. Thank you for the question. Our view in this next phase of the transition in Colombia is that integration is going to be absolutely key, as is equity between and amongst people who have been divided by a long conflict, and that includes the Afro-Colombian community.

You will be pleased to note, I think, that in the Fiscal Year 2017 request we include 60—a \$61-million program targeted just for those communities, aimed at building their capacity, including for self-governance, to engage in public debate and dialogue with the government, and build capacity and resources among those communities so that we might see, as Colombia does enter this next phase, greater equity than we have seen historically.

Mr. MEEKS. Thank you. Because that is absolutely critical, you know, as I believe our peace process was. As members that were falling into the FARC start coming back, that is the area where they go. And we want to make sure that those who have suffered and been displaced for a long period of time that they are considered in this process. And a lot of the aid and capacity-building dollars are there because there is great opportunity there from whether it was the Colombia Trade Agreement or other opportunities that present themselves there.

Ms. SMITH. I would agree with you, and that is very much what our assistance is aimed to do, as well as our dialogue with the Government of Colombia.

Mr. MEEKS. Thank you. And I yield back.

Mr. CHABOT. Thank you. The gentleman yields back.

The gentleman from South Carolina, Mr. Duncan, is recognized for 5 minutes.

Mr. DUNCAN. Thank you, Mr. Chairman.

And let me just say, I think USAID is for the most part a very effective tool in the foreign policy realm. It transcends administrations. It has been around a long time. And I appreciate its efforts.

And so, Administrator Smith, I would like to address some questions to you. But the things I know about USAID, things like ongoing efforts in Iquitos, Peru, to combat dengue and now Zika, research on mosquitos and how those two fevers and viruses are transmitted. And I support efforts such as Electrify Africa because I believe that we can improve the quality of lives of folks in Africa and, really, all across the Third World with simple things that electricity and energy provides: And that is to keep food from spoiling; to be able to heat and cool homes and keep the mosquitos out by being able to close windows; to being able to improve quality of air by not burning something in the house; being able to cook food over something other than coal or wood. These are simple things.

Being able to read after the sun goes down, whether reading to your parents or reading yourself, or there are just so many things

we take for granted that I think, you know, electrifying efforts, whether it is Africa or anywhere in the Third World can benefit. So these are things I support.

But I went to the Summit of the Americas last year. I was Chairman of the Western Hemisphere Subcommittee. And at the summit had a chance to have a conversation with President Obama. And we were talking about the money for the Northern Triangle countries for the unaccompanied children. I told the President at the time, I said, I am somebody on my side of the aisle that probably would surprise you in my support for giving money to those Northern Triangle countries to help combat this because I believe it is the issues in those countries that are causing the parents to send their children north, not necessarily the carrots that we are dangling here in this country. I probably differ with him on the amount, and I told him that.

But I said, at the time I said, Mr. President, we have to make sure that there is some accountability for this money that we do give to these countries. And he said at the time, which kind of caught me off guard, he said, you are absolutely right, Congressman. Too much money has gone missing in the past.

Which was an affirmation, I think, that money has been skimmed by rogue dictators or whoever. So we need to make sure that we get the money to where the rubber meets the road and make it effective. And I think the President acknowledged that.

So playing on his words to me during that conversation, my question to you is how do we address accountability, especially in Third World countries, where we see folks like Taylor in Liberia or others that have taken a lot of foreign aid and used it for ill-gotten gains? So how are you addressing accountability? Understanding that everyone is acknowledging that this has happened in the past, these are taxpayer dollars. This is not off a money tree in the backyard. Hard-working Americans pay taxes and they want to make sure that their tax dollars are spent effectively by any administration.

So, Ms. Smith, if you could just address what you are doing about accountability, I would appreciate it?

Ms. SMITH. Thank you for your support of our work. I think part of the deal we make with the American people, in addition to our obligation and my obligation to ensure that taxpayers' dollars are spent effectively, is to show results and be sure that these are worthy investments. That has everything to do with accountability and transparency, which we approach in a number of ways.

First transparency, is ensuring that we have clarity and visibility on the dollars spent, and that we increasingly obligate our partners, including governments, to be transparent with their own citizens and with us about the expenditure of those dollars.

Second is building the capacity for governments to set up, whether it is anti-corruption commissions, or to put in place the regulations and laws that are necessary to prevent corruption, while at the same time supporting civil society.

Mr. DUNCAN. Is that a requirement for receiving help, that they set up some sort of anti-corruption policy?

Ms. SMITH. There are. In the case of the Northern Triangle countries some of our assistance over the last few years has gone into

building the capacity of high-impact courts, local anti-corruption institutions, number one. We also support civil society organizations because part of the way you get accountability is when citizens ask where the money is and create a demand signal. So that is another way we do it.

I think this has become—when I was asked a question of what has really changed to date, I think the incorporation—and I am sure my colleague will speak to this—but I think across the board on foreign assistance dollars this emphasis on building capacity to fight corruption and building capacity of civil society to hold governments accountable and demanding degrees of transparency that were not required in the past, quite frankly, in some of the examples to which you refer is a huge priority for us.

Mr. DUNCAN. Right. Well, I appreciate that. I appreciate your efforts on transparency, accountability. When we see things like Afghanistan where a lot of money has gone for projects that weren't built and then taken by others, it is important because these are our taxpayer dollars.

I appreciate it.

Ms. SMITH. Thank you, sir.

Mr. DUNCAN. And I yield back, Mr. Chairman.

Mr. CHABOT. Thank you. The gentleman yields back. The gentleman's time has expired.

The gentlelady from California, Ms. Bass, is recognized for 5 minutes.

Ms. BASS. Thank you, Mr. Chair.

Let me begin by commending both of you for your work and your leadership over both agencies over these last few years. I certainly have enjoyed working with both of you. And, Madam Administrator, with your time in the White House and now at USAID I want to congratulate you.

I thought I would try to get all my questions out at once. And then the rest of the time you could answer them. I do want to thank you for your reluctance to shift Ebola funding to Zika. I think it is just so important that we not do that, especially because we know that we need to strengthen the health infrastructure in the three countries. And it is nice that the urgency has passed, but we certainly don't want to change the money.

So the one question on food aid reform, I wanted to know what additional reforms you believe are needed, and what constraints in the current system prevent U.S. food aid from reaching more people? That is one question.

And then what are we doing now to address the drought in Southern Africa and Ethiopia?

You know, when I was looking at this chart on USAID appropriations, if I understand it correctly it looks as though there is no funding request for the Democracy Fund. And I wanted to know if you could clarify that because it says zero. It says \$62 million in 2016 and zero in 2017; so maybe you could clarify that?

And then for MCC, I wanted to know, Ms. Hyde, where you see doing regional compacts in Africa?

And then a second MCC question is about the private sector role, and so I wanted to know what MCC is doing to mobilize private capital in compact countries? And to what extent—and hopefully

this is where we might work together in the future—has MCC been able to leverage the participation of U.S. private companies in its activities? So how is that?

Ms. HYDE. Thank you, Congresswoman, and thank you for your leadership overall, but in particular with respect to the Regional Compact Authority that you and I have spoken about a number of times.

So as I mentioned, we know that in 2016 we live in a global economy and that regional integration is key to helping markets develop. This is particularly true in Africa where you have 54 disparate countries, many small, without economies of scale. Over the decade, 65 percent of MCC's portfolio has been invested in Africa. The MCC brand is very strong there. We have had bilateral compacts, a number there.

And while I think regional compacts could be successful in many parts of the world, I think Africa is particularly ripe for one. In particular, I would say West Africa, where MCC's penetration is quite strong. We see a number of opportunities either in power, to work across borders there in transmission and distribution as well, or in transportation.

And, you know, I was struck by, I believe that the political will is there to help and that they are looking for capacity and assistance particularly in infrastructure. The two most recent selections in Africa from the board meeting in December are Cote d'Ivoire and Senegal. We are still seeking the authority. At the same time, we are looking to do the due diligence to see what are actually the opportunities that exist in Senegal, which is really a regional leader, and Cote d'Ivoire, as well as keeping our eyes open elsewhere.

With respect to the private sector, MCC has evolved in a way that I think has a unique value proposition for the private sector. We are in two dozen countries around the globe. We are there for a 5-year period of time. We have a platform that is usually in a sector where there is interest in private capital: Transportation as well as energy as well as irrigation. And what we are doing is both using our investments to see where we can invest in public goods, which is often, for example in energy, the utilities.

Ms. BASS. Excuse me. Mr. Chair, I might run out of time. If you wouldn't mind—

Ms. HYDE. Yes, yes, yes.

Ms. BASS [continuing]. Giving a minute.

Mr. CHABOT. Go right ahead. Proceed.

Ms. HYDE. And to bring in American companies, I would cite Ghana as an example of this, where there are a number of companies, GE and others, who are going to work in generation in Ghana, while MCC will be investing in the utility to make the sector more viable. And now I will stop.

Ms. BASS. Great. One, two, three?

Ms. SMITH. Thank you, Congresswoman.

Our request on food aid is for the 25 percent, which we think will give us the flexibility to have the right mix in the future discount between commodities and cash.

Thank you for raising El Niño. We are responding in both Southern Africa and Ethiopia. In Ethiopia, as you may know, we have recently launched a Disaster Assistance Response Team, or DART.

Part of the reason to move so early is that we believe—as do other donors—that if we can provide sufficient assistance quickly enough we can prevent the worst impacts.

And on the democracy side, we don't request our funding through the fund.

Ms. BASS. Okay.

Ms. SMITH. But I am pleased to let you know that the request for Fiscal Year 2017 has increased to \$2.3 billion through USAID-managed funds.

Ms. BASS. So you don't think there is any additional reforms that are needed with food aid? You think what you have now is okay?

Ms. SMITH. What we are looking for now is that 25 percent that is in the Fiscal Year 2017.

Ms. BASS. And any request for AWEF, the African Women's Entrepreneur Program?

Ms. SMITH. That is managed by the State Department. We work very closely—

Ms. BASS. Okay.

Ms. SMITH [continuing]. With them and support African women entrepreneurs through our trade hubs.

Ms. BASS. Thank you very much.

Mr. CHABOT. The gentlelady's time has expired.

The gentleman from Pennsylvania, Mr. Perry, is recognized for 5 minutes.

Mr. PERRY. Thank you, Mr. Chairman.

Madam Administrator, hi, good morning. Just let me start off by saying I have had the privilege of working with some of your field agents down range, as military folks call it, and they have been nothing but professional and a pleasure to work with.

I do have a question, however, regarding the West Bank and that foreign assistance through your organization, as I understand it, exceeds \$363 million for Fiscal Year 2017. This is moving away from the \$80 million, \$80 million reduction from last year. To date, Palestinians have received nearly \$5 billion in assistance from the United States, which is more aid per capita, according to the figures I have, than any other people.

I am just curious about how you use the power of that financial influx into the PA to kind of influence the Palestinian Authority when, you know, when President Abbas makes a statement claiming that the recent stabbing attacks in Israel represent a popular peaceful uprising? And while in 2014, 81 percent of Palestinians believed that there was corruption in the Palestinian Authority, and as well an EU audit showed that the PA mismanaged over \$3 billion from 2009 to 2013.

So taxpayers are working hard and they are paying their taxes and we are sending money to the PA, who then is alleged to—and I don't know if this is proven, I think it is, but I will just say "alleged" for these purposes—to pay a stipend. When individuals carry out and conduct a terrorist attack and end up in prison, then their family gets a stipend for that. And the more horrific the act, the higher the stipend.

How do we, as a Federal Government, leverage the money we spend, a fantastic amount here, \$363 million—maybe not much in the scope of the trillions of dollars that we budget annually and

spend—but how do we leverage that to minimize these horrific acts and get a good value out of the taxpayer dollar?

Ms. SMITH. Thank you for your question and for your kind comments about our people. I would agree with you: They are nothing but terrific.

USAID's role in these environments, and this is a tough one, is to try to build the capacity of fundamental governments so that the needs of people are served. In this environment we work through partners. We do not simply hand over the money. We vet, we audit, and we track it very closely.

The assistance is targeted at things like delivering basic services: Clean, potable water for citizens, basic education, and things that will make a difference—we hope a positive difference—in the lives of, particularly, young Palestinians.

In terms of leverage, I think there are two things. One, that presence and engagement enables our State Department to undertake its diplomatic efforts. I think on our side as USAID, it allows for engagement with people, and again particularly young people, to try to encourage something different, quite frankly, than what we have seen.

We track very closely all of our assistance, as I say. Corruption concerns are absolutely worthy of consideration. But I think it is our view that this kind of engagement is critically important to building capacities that are needed, but also to ensure engagement with the Palestinian people, and particularly young people.

Mr. PERRY. I would agree with those things: The infrastructure, the engagement. I think those are good things. But money being fungible, do you get the sense that to a certain extent while American citizens and taxpayers are helping to pay for infrastructure and better governance, that is the money that the PA has other places that could be used for that, instead they use it to build tunnels into Israel and support their other nefarious activities. And how do you balance that and how do you, again, how do you leverage that?

I mean the things that you said are very aspirational and they are great. But at the same time, the taxpayer in my district sees us funding many times terrorism, and people that hate America, hate Israel, our ally, and hate the West and are committed to the destruction of those things, and we will help them pay for it. What do I say to them?

Ms. SMITH. I think that is a fair question. I think the first thing you can say to them with confidence is we do not fund terrorists. We will closely track our assistance to ensure that at an individual or any other level that does not happen.

I think it is a matter of policy, and we work under the auspices of our foreign policy. There is a decision and a view, again, that there is a need to build that fundamental capacity on the ground. And as I say, I think our State Department is able to use that engagement and our presence in what we do as USAID to press the Palestinian Authorities to move in a different direction.

Mr. CHABOT. The gentleman's time has expired.

Mr. PERRY. Thank you, Mr. Chairman.

Mr. CHABOT. Thank you.

The gentleman from Massachusetts, Mr. Keating, is recognized for 5 minutes.

Mr. KEATING. Thank you, Mr. Chairman. And thank you for your service; it is truly appreciated. And I speak not just of you, but everyone that works with you.

You have heard some this morning talk about the fact that you don't support developmental aid. And I think you have heard a shared concern of many of us, including myself, about taxpayers making sure their money is well spent. So my belief is that—and I wish in a way there was another term besides “developmental aid,” because I don't think it really catches what it truly is—I think that indeed putting money into that, that, those resources, will put the fires out before they occur and they, as a result, will help taxpayers get the most of their money.

Could you give us some examples of how that is indeed the case, just so I think the public listening, in particular, will become more aware of this? How putting resources into that is cost-effective and will put those fires out before they occur?

Ms. SMITH. Thank you. I think you are absolutely right that part of what we are doing is making an investment in the future. I think perhaps the best example of that right now is Colombia, where 15 years of sustained support and engagement has yielded something that I think people thought was not possible: The reductions in crime, coming out of a recession, the possibility of peace, and, I believe, the happiest country on the planet. Again, I think we can point to a dramatic change there.

I think we can also point to some other changes that make a difference. It was said at the opening of this hearing that countries need to foot more of the bill themselves. We are starting to see that, particularly in the areas including health and agriculture, where countries with whom we work who, over time, have increased their own expenditures, and we have been able to reduce ours.

I think the third area where we can show the impact is in areas like global health where we are the world's leader. Whether it is putting us on the road to end the HIV/AIDS epidemic, which I think we all know would have been profoundly destabilizing, to improving the lives of mothers and children so that you have less poverty and the kind of instability it can breed.

The good news is we have the data and the evidence, both at USAID and also at the MCC, to make that case to the American people.

Ms. HYDE. I would just add in Africa, as an example, Cote d'Ivoire, is a country that a decade ago was in the throes of a violent civil war, and the story of Cote d'Ivoire for MCC is that 3 years ago they were passing only 5 of 20 indicators. They came to us, they said, we want a compact. We want to get better.

Fast forward to 3 years later, they changed their laws and they are now an MCC compact country. That said, there is still instability, as you well know, and recent events will say in that region. And we need to stay engaged and vigilant in a very accountable system so that these countries that are trying to do the right thing are able to stay afloat.

Mr. KEATING. And I also just want to point out an area of concern that I have looking forward along those lines, particularly in terms of being an incubator for terrorist activity and for extremism, and that is in Central Asia. I am concerned as I look at the inability of people to get work, the economy in Russia, people migrating out of there. This area, the North Caucasus area, those areas are ripe for this.

Are there things we can do in that area that, or can you think of that as something in the future that could be addressed in terms of that potential instability? Well, it is not potential, it is unstable.

Ms. SMITH. Yeah, I can speak to that. There are a number of parts of the world where I think we see that combination of things: A youth bulge, heavy unemployment, and lack of access to opportunity. Much of our work goes to that across the board. A lot of our specific work, and there is an increase in our request for countering violent extremism, which is targeted at getting to some of the root causes of the kinds of threats to which you speak.

One of the things that USAID is able to contribute to this is very sharp analysis of what exactly are the drivers and where can we make the investments that will yield results.

But that is one of the many areas that we are looking at.

Mr. KEATING. And my time is limited so I probably will go in writing with this question. But I am curious, and we will do this in writing because I am sensitive to my colleagues' time, about the gender policy issues and USAID's gender policy and the success for that. Because again—

Ms. SMITH. Right.

Mr. KEATING [continuing]. It is an area I believe investing in those issues will really be serving the taxpayers well and preventing things from occurring in the future. So again, thank you. And I yield back.

Mr. CHABOT. The gentleman yields back.

Ms. SMITH. Happy to respond in writing.

Mr. CHABOT. Thank you.

The gentleman's time has expired.

The gentleman from Rhode Island, Mr. Cicilline, is recognized for 5 minutes.

Mr. CICILLINE. Thank you, Mr. Chairman. I want to thank our witnesses for your testimony, for your extraordinary leadership, and for the work of your colleagues that they do every day to continue to enhance our security and the stability of the world.

And I really want to echo Mr. Keating's point that development assistance is not a gift but it is a strategic investment in our national security and our health and economic well-being and, obviously, very important.

There are three areas that I wanted to submit questions on. One relates to the 20-year decline in the personnel of USAID and the status of the USAID's board, as well as the Development Leadership Initiative, how do you see that moving forward?

Also, there has been a terrific initiative, the International Aid Transparency Initiative so that taxpayers can be sure that there is a good return on their investment and the impact it is making and the status of that, as well as your view about the importance of continuing to support Nogorno-Karabakh and how you see that

going forward in light of the news that exists, as Mr. Sherman mentioned.

So I would like to give you an opportunity to provide some more detailed information. But I am going to ask three questions today and just give you whatever time is left to answer them.

As you well know, USAID has done important work in responding to the very serious challenges facing LGBT individuals around the world where we are seeing increased criminalization and grave danger very often to members of our community. The Special Coordinator for LGBT Rights Todd Larson is doing a terrific job. And so I would like you to just give a little bit about how you see that role continuing, where you are seeing some success? What are areas of particular concern?

Secondly, in the area of global health, USAID as you know plays a critical role to foster innovation in health technologies working across its programs, with many diverse partners, with other U.S. agencies to advance new vaccines, drugs, diagnostics, and other tools urgently needed to combat existing and emerging global health threats. And I would love to hear your thoughts on how USAID will continue this role, and particularly how it is working to encourage a coordinated, government-wide approach to global health research and development.

And on the side for MCC, of which you know I am a huge fan, thank you for your great work. Would you talk a little bit about the challenges that MCC faces in implementing compacts in fragile states like Liberia and Cote d'Ivoire and how the agency is really prepared to address that?

And, of course, I am always interested to know how Cape Verde is doing in its second compact, particularly in the areas of legal institution foundations and rights, how they are meeting those roles?

So I will stop and give you as much time as I have remaining for your answers.

Ms. SMITH. Thank you. I agree; Todd is doing and has done a terrific job. I think both he and his office. But the fact that we now have points of contact in every single bureau in the agency on the issue of our LGBT community. And I think we have made important progress. We and some other donors are putting this issue on the map and ensuring that governments protect the rights of all of their citizens and prevent and protect them against discrimination.

What we are looking at now is how do we ensure that this remains part of the agency's work going forward, both through maintaining a coordinator position, but looking again at how we can institutionalize it across the board, including in the field and with our partners.

I have also had the privilege and opportunity to speak to several other donors who have been leaders in this area. We are of the same view that we need to find ways, not only to expand our work, but ensure that it is continued by those who may succeed us.

On global health coordination, that is something I work on now and worked on in the past, including with Dana in an earlier life, in the specific area of research and development of new diagnostics and vaccines and other things. On coordination, we work closely with the CDC and NIH. They play huge and tremendous roles there in making sure that there is no duplication or overlap. We

also work with them to make sure that even as they are developing new opportunities, we are looking at how these can be deployed, whether through GAVI—which I think you may know, the Global Vaccine Alliance—or our own programs.

Mr. CICILLINE. Thank you.

Ms. HYDE. Very quickly. So with respect to Cape Verde, we are on time, under budget, and closing out next year. All of the reforms are going forward. In fact, the executive director was just in town this week, and it is going very well. So I have every reason to believe we will be set up for success there. The engagement of the government and our partners has been extraordinary.

With respect to fragile states, the MCC is working in the fragile states within the scorecard of the governance criteria. That is, by definition, a fragile state that is striving to be among the better half in terms of rule of law, and corruption. So I think it is absolutely critical that MCC be there and be supportive of it.

That said, the capacity challenges certainly are there in terms of our model, in terms of the data that is needed for cost-benefit analysis. Data is a challenge everywhere; we see it particularly so. We are working through our partners, the MCA units. So that is in country. And looking at how we deploy more support there.

Our accountability measures are very strong. As you know, the funds sit in the U.S. Treasury and we have independent fiscal agents, independent procurement agents. But we are really looking at how we can partner.

I will give you an example with Niger this year coming forward, we will be partnering in the Community-based Livestock Program as well as large-scale irrigation infrastructure, the types of things we will be doing there.

Mr. CICILLINE. Okay, thank you so much.

I yield back, Mr. Chairman.

Mr. CHABOT. The gentleman's time has expired.

Batting clean-up, last but certainly not least, the gentlelady from Florida, Ms. Frankel, is recognized for 5 minutes.

Ms. FRANKEL. Thank you, Mr. Chair. I often feel like I am in that Agatha Christie novel, "And Then There Were None," I mean. Anyway, I thank both of you for your service.

I really have two different questions. I hope you can get to them both. The first has to do with Syria. I would like to have an overview of your major efforts in the humanitarian crisis in Syria, and whether or not you see any hope or possibility that when the violence is over—whenever that might be—that they could get back to a normal society?

My second question, it is a little different, and has to do with women, girls' education. And if you could give me, I would like to know, you know, sort of an overview of what you are doing, and especially who is doing the teaching and what kind of materials are you using and what is your follow-up to see the efficacy of it?

Ms. SMITH. Thank you, Congresswoman. And with regard to Syria, this has been a very big piece of USAID's work for over 4 years. Of the assistance that we provide, about half of that goes inside Syria to help people where they live all across the country, and about half of that goes to people who are refugees.

There is a small—I do not want to overstate it—but a small and significant glimmer of hope, given the hard work of Secretary Kerry, on a humanitarian cessation of hostilities which is allowing us to get some more assistance to what are called “besieged areas.” Again, it is not a complete end of the war but it is significantly very grateful for his work on that.

As to your question about when the violence ends will they be able to return to normalcy, one of the things USAID has a great deal of experience in over the last many, many decades is working in transitions of countries out of civil war and violence, or from authoritarianism to democracy. It takes a long time. We know a lot about it. I think the agency is quite good at it and has learned enough over the years to enable us to marshal a plan or design to help Syria return to normalcy and peace. I think it is possible. We have seen other countries do it. But I also think it is going to take a very, very, very long time.

On girls’ education I will speak to that. And I—

Ms. FRANKEL. Just something back to Syria though.

Ms. SMITH. Yes.

Ms. FRANKEL. What are the—I know you do food and you are doing health. What else?

Ms. SMITH. Yes.

Ms. FRANKEL. Education? What are the pieces of your aid in Syria now?

Ms. SMITH. We provide food assistance. We also provide health assistance. Some education, including emergency learning centers and also some education for refugees. So our assistance is diversified.

Ms. FRANKEL. Housing? Do you do house?

Ms. SMITH. Some temporary shelter. It is very difficult for people to find. Often they are seeking refuge in school buildings that have been abandoned, winterization during the colder months so that people can keep themselves and their families warm.

We try to provide as diverse an array of assistance as we possibly can, given the enormity of the needs.

On girls’ education, that is a big priority for us. The way that works is we work with partners, most often Ministries of Education, both in ways to provide direct assistance, but also to do things like teacher training, like curriculum development, and an emphasis on—I am glad you made the comment about ensuring that it works—an emphasis on quality.

One of the things USAID did a few years ago—we are now at the end of a 5-year strategy—was revise the education strategy so that we could make sure that quality was as high on the list as quantity, and that we were making sure that students, including girls, are able to read. They didn’t just go through primary education but departed primary education with the ability to read. Thus far we have reached 30 million students with that program.

Ms. FRANKEL. Okay, let me, okay, Ms. Hyde, why don’t you.

Ms. HYDE. I will keep this short.

Ms. FRANKEL. Yes, please.

Ms. HYDE. MCC typically is working in the secondary or vocational space, so very rarely in primary education. We are doing so in countries where it is identified as a key constraint to growth.

About a third of our constraints analyses identify human skills. If a country wants an education program, we will be looking to see how we have a nexus to jobs and to markets and in vocational.

Morocco is an example I would give as a recent compact with a large investment, always with a focus on girls and gender. We know that if the economics are there that girls will stay in school, that they will provide for communities, and that there is actual evidence tagging education to growth with completion rates, which I think the World Bank just came out with.

Mr. CHABOT. Thank you. The gentlelady's time has expired.

I would like to thank the witnesses for appearing here this morning. We covered a lot of important issues.

And if there is no further business to come before the committee, we are adjourned.

[Whereupon, at 11:40 a.m., the committee was adjourned.]

A P P E N D I X

MATERIAL SUBMITTED FOR THE RECORD

FULL COMMITTEE HEARING NOTICE
COMMITTEE ON FOREIGN AFFAIRS
U.S. HOUSE OF REPRESENTATIVES
WASHINGTON, DC 20515-6128

Edward R. Royce (R-CA), Chairman

March 15, 2016

TO: MEMBERS OF THE COMMITTEE ON FOREIGN AFFAIRS

You are respectfully requested to attend an OPEN hearing of the Committee on Foreign Affairs, to be held in Room 2172 of the Rayburn House Office Building (and available live on the Committee website at <http://www.ForeignAffairs.house.gov>):

DATE: Tuesday, March 15, 2016

TIME: 10:00 a.m.

SUBJECT: Review of the FY 2017 Foreign Assistance Budget: Aligning Interests, Ensuring Effectiveness and Transparency

WITNESSES: The Honorable Gayle Smith
Administrator
U.S. Agency for International Development

The Honorable Dana J. Hyde
Chief Executive Officer
Millennium Challenge Corporation

By Direction of the Chairman

The Committee on Foreign Affairs seeks to make its facilities accessible to persons with disabilities. If you are in need of special accommodations, please call 202/225-5021 at least four business days in advance of the event, whenever practicable. Questions with regard to special accommodations in general (including availability of Committee materials in alternative formats and assistive listening devices) may be directed to the Committee.



COMMITTEE ON FOREIGN AFFAIRS
MINUTES OF FULL COMMITTEE HEARING

Day Tuesday Date 3/15/2016 Room 2172

Starting Time 10:04 Ending Time 11:40

Recesses 0 (___ to ___) (___ to ___)

Presiding Member(s)

Chairman Edward R. Royce, Rep. Steve Chabot

Check all of the following that apply:

Open Session

Electronically Recorded (taped)

Executive (closed) Session

Stenographic Record

Televised

TITLE OF HEARING:

Review of the FY 2017 Foreign Assistance Budget: Aligning Interests, Ensuring Effectiveness and Transparency

COMMITTEE MEMBERS PRESENT:

See attached.

NON-COMMITTEE MEMBERS PRESENT:

none

HEARING WITNESSES: Same as meeting notice attached? Yes No

(if "no", please list below and include title, agency, department, or organization.)

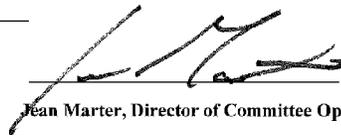
STATEMENTS FOR THE RECORD: *(list any statements submitted for the record.)*

- SFR - Rep. Gerald Connolly*
- QFR - Chairman Edward Royce*
- QFR - Rep. Eliot Engel*
- QFR - Rep. Ted Poe*
- QFR - Rep. Brad Sherman*
- QFR - Rep. William Keating*
- QFR - Rep. Grace Meng*

TIME SCHEDULED TO RECONVENE _____

or

TIME ADJOURNED 11:40



Jean Marter, Director of Committee Operations

HOUSE COMMITTEE ON FOREIGN AFFAIRS
FULL COMMITTEE HEARING

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Statement for the Record
Submitted by Mr. Connolly of Virginia

The entire International Affairs budget of the United States is about 1 percent of U.S. federal budget, and with roughly one half of that 1 percent, our international assistance agencies must implement programs and strategies that work to end extreme poverty and build democratic societies abroad. These remarkably complex and daunting tasks stand in stark contrast with an entirely unremarkable budget figure, and that contrast betrays the extent to which we have severely undervalued our development portfolio.

Democracy promotion and poverty prevention are fundamental safeguards against the development of instability and security threats overseas. Our investments in such programs are down payments on peace, and when we fail to make those investments, we are often left conducting triage when the bills come due for our neglected international funding priorities.

Development and foreign assistance are increasingly called upon to address our most pressing security challenges and proliferate American values abroad. As has been the lesson in Iraq, Afghanistan, and countless other military interventions, a permanent U.S. military footprint is rarely a tenable proposal for the American public. Instead, we almost always turn to development investments as the solution to transforming stagnant societies mired in violence into more stable and resilient countries.

Earlier this year, I joined every Democratic Member of the House Foreign Affairs Committee in writing to the House Budget Committee advocating for a robust International Affairs budget. In our letter, we stated, "Function 150 spending is our first line of defense. If we are unable to prevent a crisis before it explodes, we often must turn to our military, at great cost in blood and treasure. At its most elemental level, underfunding diplomacy and foreign assistance is simply a way of telling America that we are going to have to send our young people into harm's way once again, because we would not invest adequately in prevention."

The imperative is clear, but it is not matched by corresponding Congressional action. As a staff member on the Senate Foreign Relations Committee, I worked on the last comprehensive reauthorization of the Foreign Assistance Act of 1961. That was in 1985. This is a challenge we have avoided for three decades, and the clarity of our mission has suffered as a result. The original Foreign Assistance Act of 1961 listed 5 principal goals for foreign aid. Today, we have more than 260 – some competing, some redundant, and we have started to create new initiatives and even new agencies like the Millennium Challenge Corporation that direct U.S. foreign assistance funding. Congress must grab the reins and engage our foundational foreign assistance statute with a regular authorization process, and I would suggest the Global Partnerships Act – legislation I introduced with the former chairman of this committee – as a good starting point.

Development investments have the noble goals of unleashing economic activity and proliferating stability, but our foreign assistance efforts must be held accountable to these objectives. The primary way in which Congress and the American public can be assured that government spending occurring thousands of miles beyond U.S. borders is being well-spent is through strict enforcement of monitoring and evaluation regimes.

The Foreign Aid Transparency and Accountability Act (H.R. 3766) is a project that I have worked on with my colleague, Judge Poe, for several years now, and the bill recently passed once again in the House of Representatives by a unanimous vote. The bill directs the President to establish monitoring and evaluation (M&E) guidelines for the federal agencies charged with implementing development and economic assistance programs abroad. The guidelines will require M&E plans as part of the project development process, and agencies will be encouraged to incorporate the findings of project evaluations and impact studies into subsequent foreign assistance programs. This feedback loop will include measurable goals, performance metrics, and a clearinghouse for lessons learned on U.S.-led aid projects. Additionally, the legislation requires that the documents and reports created under this M&E regime be made available to the public on foreignassistance.gov.

This administration has developed an encouraging record on foreign aid transparency. The Foreign Assistance Dashboard created in 2010 demonstrated a promising inclination towards disclosure that we should hope to enshrine in law. Our bill will strengthen and codify those transparency best practices to ensure that they exist as agency policy under future Administrations that might not be as accommodating of the aid community's demand for this information.

Aid programs that are held accountable for their performance and results can be made more effective, and their impact on communities and countries abroad can be more easily demonstrated. Perhaps with more information, we can dispel the commonly held belief that 26 percent of the federal budget is spent on foreign aid when the actual amount, as previously mentioned, is about 1 percent.

Ideally, this disparity in public perception and reality would be a commentary on the United States' outsized presence in the developing world. Unfortunately, it is instead usually misattributed as a reason for the necessity of budget cuts. The onus is on the defenders of foreign aid to draw a clear connection between the way in which U.S. development programs alleviate human suffering and the security of the American people. This relationship will justify the resources and support necessary to accomplish our urgent development goals in an increasingly turbulent world.

Chairman Ed Royce
“Review of the FY 2017 Foreign Assistance Budget: Aligning Interests, Ensuring Effectiveness
and Transparency”
Questions for the Record for USAID Administrator Gayle E. Smith
March 15, 2016

1. U.S. funding of the Palestinian Authority is reliant upon the PA’s commitment to and active forwarding of peaceful coexistence with Israel. Funding can be – and was recently – withheld if the PA is found to be inciting violence. The checks appear to be working, but is there more we can be doing to encourage the PA to move towards peace? Is the Administration confident that its current funding structure for the PA achieves the goals the U.S. has enumerated? Does current funding advance U.S. objectives to promote coexistence and peace?

The United States condemns incitement to violence and remains fully engaged with the Palestinian Authority (PA) and the Government of Israel on this issue. The PA has made progress in combatting incitement to violence and promoting peace and cooperation with Israel. President Abbas has repeatedly opposed violence and has issued several calls for the latest wave of violence to cease. The achievement of a negotiated two-state solution to the Israeli-Palestinian conflict remains a core U.S. national security objective. The U.S. government pursues this by working with both parties to try to preserve the possibility for a negotiated settlement and by supporting Palestinian institution building so that a future state will possess the capacity to govern, provide services, and ensure security and stability within its borders and with its neighbors.

This assistance advances U.S. objectives to promote coexistence and peace, and reduces the threat of extremism and counters incitement through the implementation of programs that: increase people-to-people interaction and understanding, provides vulnerable youth with education and job skills needed to secure gainful employment; and encourage constructive civic engagement by program beneficiaries. Stability in the West Bank and the reconstruction of Gaza are in the interest of the Palestinian people, the United States, and Israel. Our assistance is intended to help keep young Palestinians off the streets and in youth centers and schools, helping to counter violence during a time of great instability in the region. Moreover, U.S. assistance demonstrates that we maintain a vested interest in the lives of ordinary Palestinians and preserves the possibility of a two-state solution. To bolster this policy approach, the U.S. government’s foreign assistance provides development assistance to the PA as well as relief of debts owed by the PA to creditors (including Israeli entities) to improve its fiscal viability. The U.S. government supports a range of programs that aim to improve the capacity of PA institutions to operate transparently and efficiently to deliver key services to citizens and improve security conditions on the ground. These programs include support for improving infrastructure for water, sanitation, and roads, health and education services, and the capacity of local governance institutions, and for reinforcing respect for the rule of law. In addition, our programs support the development of a strong private sector-driven economy.

2. Will the current security and political environment in Yemen allow for the implementation of planned U.S. programming? Does USAID intend to reallocate or revise its assistance plan if there is ceasefire or associated process? Would USAID plan to introduce new programming in Sana’a and other areas controlled by the Houthis? If so, how and for what purpose? Will we provide assistance to areas controlled by the Coalition or the Hadi government in Aden?

Due to the current non-permissive security and operational environment in Yemen and severe humanitarian needs, USAID placed all of its development programs under temporary suspension in spring 2015, except for one key program that provides USAID with the analytical data needed to restart

activities. However, implementation of life-saving humanitarian assistance continues. The United States government provided over \$317 million in humanitarian assistance for Yemen in FY 2015 and FY 2016, including \$260 million in USAID humanitarian assistance.

The suspension of development programs allows USAID to keep programs in place, without incurring costs, so we can restart these activities quickly when the situation permits. We continue to closely monitor the situation on the ground in all areas; once a peace process is in place and the security environment is permissive, USAID can rapidly resume and sustain our development assistance where possible, adapting activities to post-conflict realities.

The post-conflict period will offer critical opportunities to reverse the social, political and economic trajectory in Yemen, but only through early and effective support. Otherwise, we risk a protracted humanitarian crisis and deeper instability in a very sensitive region for the United States and our allies. Provided security allows, FY 2017 funds will permit USAID development programs to help the Yemeni people to stabilize their economy, restore their health systems and other social services, and renew a peaceful political transition process. Our assistance will be based on needs assessments and will seek to support a transition process agreed upon by all relevant conflict parties.

3. The breadth of the Syrian humanitarian crisis is staggering – creating more than 11 million internally displaced persons (IDPs) or as refugees. The U.S. has been the most generous donor to this ongoing crisis. The budget request for FY 17 has spread funding over so many accounts and programs that tracking this funding has become nearly impossible. Please provide a detailed accounting of the request for humanitarian assistance for Syria and for local communities hosting refugees. How much and what elements of this assistance are being delivered via U.S.-based and international NGOs, local organizations, and the UN?

	2015 Actual	2016 Request	2017 Request
USAID Humanitarian Assistance**	\$866,442,958	\$829,000,000	\$898,000,000
International Disaster Assistance Overseas Contingency Operations IDA(OCO) – Office of U.S. Foreign Disaster Assistance (for programs inside Syria)	\$303,151,568	\$300,000,000	\$310,000,000
International Disaster Assistance Overseas Contingency Operations IDA(OCO)- Food For Peace (for food assistance inside Syria and for food assistance to Syrian refugees in neighboring countries)	\$551,456,109	\$529,000,000	\$588,000,000
International Disaster Assistance - NON-OCO Food for Peace (for inside Syria)	\$9,525,809		
Food for Peace Act Title II (for inside Syria)	\$2,309,472		

**Fiscal Year (FY) 2016 and FY 2017 figures are projections only and are subject to change based on evolving needs and funding availabilities.*

***This represents only USAID's funding request and does not include funding requested for refugee assistance through the Migration and Refugee Assistance account, managed by the Department of State.*

For Fiscal Year (FY) 2017, the President's request includes \$898 million in International Disaster Assistance (IDA) for Syria, \$69 million (8 percent) above the FY 2016 request, and \$32 million (4 percent) above FY 2015. Figures included in the request are estimated projections based on historical obligations and trends, and are subject to change based on need and funding from other donors. USAID must retain flexibility to respond to needs as they emerge within the Syria response and globally, such as sudden mass displacement, infectious disease outbreaks, and potential deteriorations in food security.

In FY 2017, USAID will continue to identify and respond to the most critical, life-saving humanitarian needs of displaced and conflict-affected families in Syria, prioritizing food assistance; basic health care; relief commodities; water, sanitation, and hygiene; and protection programming. USAID will also use these resources for continued emergency food assistance to Syrian refugees in Egypt, Iraq, Jordan, Lebanon, and Turkey.

To date, the U.S. Government has provided more than \$5.1 billion in humanitarian assistance for the Syria crisis, inclusive of assistance to refugees provided through the Department of State's Bureau of Population, Refugees, and Migration (State/PRM). Approximately 66 percent of this assistance—or nearly \$3.4 billion—has been channeled through U.N. relief agencies (such as the U.N. World Food Program); approximately 26 percent—or more than \$1.3 billion—has been provided through international NGOs; and nearly 8 percent—or \$393.2 million—has been delivered to other public international organizations, such as the International Committee of the Red Cross (ICRC), International Federation of Red Cross and Red Crescent (IFRC), and the International Organization for Migration (IOM). Approximately half of the U.S. Government humanitarian assistance to the Syria crisis to date has supported programs inside Syria, and approximately half has supported programs for Syrian refugees in neighboring countries.

Funding allocations among organizations change yearly as USAID identifies partners with the capacity to respond in specific geographic areas with the greatest needs; therefore, USAID has not planned specific funding allocations for FY 2017. USAID focuses on working with experienced, established partners to ensure the greatest level of accountability and standards in one of the world's most complex and challenging operating environments. Local NGOs are also critical components of the response because they best understand the landscape and have the greatest access to affected populations. USAID's international partners support Syrian NGOs through sub-awards and capacity building. Additionally, USAID sponsors a capacity building grant for Syrian NGOs with the aim of further strengthening Syrians' own crisis response capabilities.

4. Historically, an inordinate amount of funding provided to UN agencies has been used to cover overhead costs, thereby reducing the reach of actual aid on the ground. Additionally, UN programming in Syria has, acquiesced to the demands of the Assad regime regarding where, when, and to whom relief supplies will be provided. How are you working to ensure that withholding of aid is not used as a weapon of war against civilians in Syria? How can we effectively reduce costs *and* expand access?

USAID continues to work through all channels – including the United Nations (UN), international organizations, non-governmental organizations (NGOs), and local Syrian organizations and networks — to maximize the reach of critical, life-saving assistance to conflict-affected populations throughout Syria. This includes cross-border assistance into Syria and across conflict lines within the country. By

using all means possible to get life-saving assistance to those in need — including in regime-controlled, contested, and opposition-held areas — U.S. government-funded humanitarian assistance has reached all 14 governorates of Syria over the last four years.

USAID's provision of humanitarian assistance is based on assessed needs, on the ability of our partners to reach people in need, and on the humanitarian principle of impartiality, irrespective of religious or political affiliation or ethnicity. USAID works closely with partners to ensure our assistance is reaching the intended beneficiaries. We exercise considerable oversight over our programs, and our partners have developed a variety of multi-layered monitoring and tracking mechanisms to make sure our assistance gets to those it is intended to reach.

Working through UN agencies — whose overhead rates are decided by respective agency executive boards that include membership from major donors, including the United States. — provides greater access and efficiency in complex emergencies where the U.S. government and other major donors do not have significant presence. In areas controlled by the Syrian Arab Republic Government (SARG), the UN must receive permission to deliver assistance. This is a requirement for security, and the UN and other agencies also must seek concurrence from other actors that control specific areas. Requests are based on assessed need, and in cases where SARG has not approved assistance, the UN has continued to press for full humanitarian access. Additionally, the UN Security Council has authorized the UN to deliver cross-border assistance from neighboring countries without SARG concurrence. This has enabled the UN to supplement NGO efforts to reach opposition-held parts of northern and southern Syria.

The UN 2016 Syria Humanitarian Response Plan (HRP) requested \$3.2 billion in humanitarian assistance. While that figure is staggering, the needs are staggering as well — 13.5 million people are in need of humanitarian assistance inside Syria alone. In conflict zones such as Syria, humanitarian assistance faces tremendous challenges in terms of security, access, logistics, and inflationary pressures. These challenges are reflected in the costs of the response, and USAID sees the per-beneficiary costs of the Syria response as generally consistent with similar conflict situations.

An important cost-saving measure is ensuring the most effective coordination possible to prevent unnecessary overlaps and duplication. Although challenging in a situation like Syria, where the country is divided and assistance must arrive through multiple channels, the U.S. Government has advocated continuously for stronger coordination. We have seen the results of this effort in the most recent Syria Humanitarian Needs Overview (HNO) published last fall by the UN, which for the first time provided a comprehensive look at needs, severity, and response by both UN agencies and NGOs all over Syria. The HNO has enabled an HRP that more clearly articulates priority needs and allows donors, including the United States to better target limited humanitarian funds.

Withholding of humanitarian aid through siege has become devastatingly commonplace in the crisis, with more than 480,000 people trapped in such areas. USAID and the State Department tirelessly advocate at every level for unimpeded and unconditional access to these areas, and to all populations in need, across the country. To increase aid to these populations, the International Syria Support Group (ISSG) has worked since February 11 to increase and monitor access to besieged and hard-to-reach populations across Syria. Within one month of Secretary of State John Kerry's February 11 ISSG meeting, UN aid convoys — supported by USAID as the largest donor — reached approximately 240,000 people in besieged and hard-to-reach areas with lifesaving relief they had not received for many months, including food, medicine, nutritional products, and hygiene items. While this is encouraging progress, more must be done. USAID and the State Department will continue to impress on all actors, including at the upcoming World Humanitarian Summit, that humanitarian assistance must be unhindered and that civilian populations must be allowed freedom of movement.

5. The Tunisian government has been very open and consistent in their request for technical assistance — not money. Government officials do not have even a basic understanding of how to

research and write legislation, most parliamentarians do not have staff, and official government business is often conducted over private text messaging because the government lacks basic IT infrastructure. Why have the Department and USAID been so reluctant to embed experts in the ministries and parliament, as requested by the Tunisian government?

USAID and the Department of State, through the Middle East Partnership Initiative (MEPI), have been providing technical assistance to the Government of Tunisia in multiple ministries. USAID's Tax and Customs Project embeds advisors within the Ministry of Finance, working directly with the Minister, and also provides technical assistance to the Departments working on tax policy, tax administration, and customs administration. The Minister of Finance has requested that USAID increase our support with a focus on sub-national governmental finance, anti-corruption, and communication to the public.

MEPI provides technical assistance to the Tunisian parliament and 13 government Ministries, including the Office of the Prime Minister. MEPI supports technical assistance with the newly-elected parliament to develop the legislative capacity of Members of Parliament, parliamentary commissions, and parliamentary groups. MEPI also assists government ministries in developing inter-ministerial government actions plans and communicating these plans effectively to citizens.

The Department of State is in the process of deploying a technical advisor with the Central Bank of Tunisia through the Department of the Treasury's Office of Technical Assistance (OTA). The embedded advisor will work with the Government of Tunisia on identified areas of technical assistance. OTA will also provide technical assistance to the Tunisian Ministry of Finance to strengthen the financial and banking sectors, as well as encourage transparency.

The State Department's Bureau of Democracy, Human Rights, and Labor is also establishing a new program to strengthen the legislative capacity of Tunisia's parliament by providing members of parliament with relevant, non-partisan, and credible resources on issues that have the potential to further democratic reforms, including in the areas of human rights and rule of law. The program will ensure that parliamentarians have access to a library of country-specific materials, including fact sheets, briefing materials, research papers, statistical profiles, and other forms of short, written analyses to enhance their ability to effectively engage on key reforms.

USAID and the Department of State will continue to support the Government of Tunisia through technical assistance and programmatic support, guided by U.S. Government strategy and Government of Tunisia priorities.

6. Does USAID plan to open a Mission Office in Tunisia? If not, why not? I understand that USAID closed its office in Tunisia in 1996. Are you exploring the possibility of reopening the mission now?

USAID officially reopened its office in Tunis in November 2014. This office is scaling up to meet the operational and programmatic needs of our program in Tunisia. USAID's Senior Development Advisor in Tunisia will soon be joined by two U.S. Direct Hire Foreign Service Officers, one Private Sector Enterprise Officer and one Democracy and Governance Officer, to manage the Office's expanding program. In addition to the Foreign Service Officers, the Office also intends to increase the number of Foreign Service Nationals supporting USAID's program in Tunisia from two to five. USAID's program will be guided by a five-year Country Development Cooperation Strategy, which will be finalized in the coming months, that aligns USAID's program with U.S. government priorities and Tunisia's formal written request to the G-7 partners for support.

At this time, there are no plans to expand USAID's office in Tunisia to a full Mission. The administrative and programmatic support functions for USAID's office are managed by the Middle East Regional Platform based in Frankfurt, Germany.

7. The U.S. has invested \$60 million in an Enterprise Fund for Tunisia. How many investments has the Enterprise Fund made to date? Why is it taking so long to disperse these funds?

To date, the Tunisian American Enterprise Fund (TAEF) has made five investments and an additional investment is currently being finalized, for a total amount invested of almost \$10 million. TAEF is experiencing strong demand, especially in the small and medium-sized enterprise sector, and has a large pipeline of potential investments under active review. TAEF expects to have a total of \$34 million invested by the end of 2016. TAEF expects to invest an additional \$24 million in 2017. TAEF received its first tranche of funding in mid-2013 and made its first investment in less than two years, which is more quickly than the Europe and Eurasia enterprise funds which generally took more than two years for a first investment. TAEF believes it has invested as quickly and expeditiously as the Tunisian regulatory environment allows and is now poised to make additional investments prudently and relatively quickly.

8. Nagorno-Karabakh has an annual per capita mine accident rate that is amongst the highest in the world, an equivalent ranking with better-known mine-impacted countries such as Afghanistan, Angola, Cambodia and Colombia. As a result, since 2002 USAID has prioritized mine-clearance activities in its humanitarian assistance funding to the region, historically at the level of \$2 million per year. The international mine-clearance NGO, HALO Trust, has been the recipient of this aid, and effectively cleared mines from the territory in the areas it is allowed to access. Unfortunately, USAID has imposed territorial restrictions on where recipients of US funding like HALO Trust may operate, reportedly due to outdated political considerations. This restriction means HALO Trust is prohibited from clearing the remaining mine fields where the majority of accidents now occur.
- Is USAID considering lifting its self-imposed territorial restrictions on mine clearance activities by HALO Trust in Nagorno-Karabakh?
 - If concern over lifting the restrictions is solely due to Azerbaijan's opposition, is USAID granting one of the parties in an ongoing conflict an effective veto against our efforts to save lives?
 - What engagement have you had with Azeri leaders urging their support for mine-clearance activities throughout the Nagorno-Karabakh region?

USAID's top priority for its work in Nagorno-Karabakh is the complete eradication of mines from within the boundaries of the former Nagorno-Karabakh Autonomous region. This de-mining has been implemented by the HALO Trust (Hazardous Area Life-support Organization) since 2001, and thus far has cleared 97 percent of anti-personnel and anti-tank mines and 89 percent of the contested area in Nagorno-Karabakh. Until the current working area is declared mine-free, USAID is not planning any new initiatives.

We have communicated to Azerbaijani officials our policy decision to fund de-mining within the borders of the former Nagorno-Karabakh Autonomous region until all mines are cleared.

9. This is a watershed year for Cyprus and its efforts for reunification. The Administration has pledged strong U.S. support for the reunification talks. How is that commitment represented in this budget request when it includes no economic support funds for Cyprus? International companies and governmental bodies are taking the commitment of Cypriot leaders to make an agreement seriously and are strategizing their next steps. Since you have pledged support for reunification, what is the strategy you have developed for post-reunification support for Cyprus?

USAID bilateral funding for Cyprus ended in FY 2013. Prior USAID assistance supported activities that promoted peace and cooperation between the island's Greek Cypriot and Turkish Cypriot communities. USAID's programs were a part of U.S. Government efforts to work towards a peaceful resolution of the longstanding conflict and were a significant source of support for hundreds of bi-communal activities on the island, which directly or indirectly supported the broader peace process. In order to meet the most pressing needs in the region (i.e., countering Russian aggression in Europe) within current budget constraints, the President's FY 2017 budget request does not include a bilateral line item for Cyprus. However, together with the State Department, we are actively encouraging progress toward a settlement, and we are encouraged by the progress the leaders have achieved thus far. As Cyprus moves toward a settlement, we will work with other U.S. Government agencies, Congress, and international donors to determine how the United States can best support its implementation.

10. What role does USAID play, if any, in seeking to ensure that U.S. security assistance and cooperation programs are embedded in a broader strategy, as appropriate, to improve governance in recipient countries?

USAID is involved in ongoing efforts in Washington, D.C. and at our overseas Missions, to ensure that core values of good governance are woven into broader U.S. policy objectives and assistance programs. In Washington, USAID is an active participant in the inter-agency process, providing technical input through the Security Sector Assistance (SSA) meetings convened by the National Security Council and working to implement the Quadrennial Diplomacy and Development Review, and Presidential Policy Directive (PPD) 23. USAID is also an active participant in the Security and Governance Initiative (SGI), which provides strategic support to countries facing a particular threat from violent extremism and instability. As a result of USAID's strong technical leadership in SSA and SGI, programming has maintained a focus on long-term institutional integrity and judicial independence as cornerstones for security sector assistance.

USAID maintains a holistic approach to democratic governance programs, including governance of the security sector. USAID focuses on how parts of the security system, (e.g., police, military, justice system, legislature, and civil society) are linked and must all perform effectively and in a coordinated manner to achieve legitimate security systems governed by law and accountable to the public. Examples of programming that USAID conducts include: reforming a country's justice system as well as the civil service and public management; enhancing strategy, policy and budget formulation; and increasing civilian oversight of the security sector. Approaches are based on country context, but all generally focus on accountability mechanisms, service delivery, budgeting and systems oversight, public information, and inclusion of civil society as partner and watchdog of government agencies.

In Mali, for example, USAID recently launched a \$20 million rule of law program which will support the implementation of the peace process and near-term national reconciliation efforts. The program will include the following elements: 1) providing the people of Mali with a peace dividend to re-establish trust in the new government, 2) supporting transitional justice and rule of law to outlying and minority regions, 3) supporting civil society oversight, and 4) countering violent extremism. These efforts, which focus on increasing access to justice to underserved and remote areas of the country, will increase the capabilities and legitimacy of the Malian government and its institutions.

USAID is also supporting the implementation of the new United Nations Sustainable Development Goals. Goal 16, Peace and Justice, includes the strengthening of the rule of law and respect for human rights. By implementing Goal 16, host country governments can reach international standards of institutional integrity in all sectors, and can recognize the critical role that the rule of law plays in maintaining security.

11. In general, would you agree that effective, efficient, accountable, uncorrupt governance is an essential prerequisite for security assistance that achieves U.S. policy goals?

One of the principal goals of Presidential Policy Directive 23 on Security Sector Assistance (PPD-23) is to "Promote universal values, such as good governance, transparent and accountable oversight of security forces, rule of law, transparency, accountability, delivery of fair and effective justice, and respect for human rights." Many of the places where U.S. engagement is most vitally needed – places where regional stability is at risk, civilian security is under threat, or violent extremism is growing – are also places where governance is weak. Therefore, when engaging in those contexts, we work to ensure that U.S. security assistance is carefully administered, rigorously vetting potential partners and working to reduce corruption in the security sector. For example, U.S. security assistance to Colombia has strengthened institutional effectiveness and human rights safeguards, resulting in progress toward more effective, efficient, accountable, uncorrupt governance.

12. What role does USAID play on this issue in the interagency, and how do you specifically work with the Departments of State and Defense toward building accountable government, de-radicalization, strong and accountable institutions, and rule of law?

USAID plays a collaborative role in U.S. Government efforts to promote accountability and the rule of law in developing countries. USAID assists government counterparts and nongovernmental organizations in 85 developing countries, in many cases in concert with the Department of State (DoS) and the Department of Defense (DoD). In contrast to the DoS and DoD, which, respectively, prioritize criminal justice and law enforcement or support defense institutions in response to threats, USAID emphasizes preventive measures such as modernizing public sector and judicial institutions, strengthening independent oversight, and bolstering civil society's role in promoting good governance. These are USAID's recognized areas of expertise in the interagency.

Examples of effective interagency collaboration are as follows:

- USAID partners with DoS to combat corruption and drug trafficking in Peru and Colombia to reduce organized crime and gang violence in Honduras, Guatemala, and El Salvador as part of the Central American Regional Security Initiative.
- USAID partners with the Department of Justice (DoJ) to modernize judiciaries and promote judicial court accountability in several countries around the world.
- USAID has run programs jointly with the Department of Treasury and DoJ aimed at reducing graft in the courts, procurement systems, and tax and customs administrations in 23 countries.
- USAID and the DoS jointly support the Open Government Partnership, using assistance and diplomacy to support the efforts of Ghana, Honduras, Indonesia, Paraguay and the Philippines to make governance more transparent and accountable.

In addition, USAID and DoD are collaborating in multiple countries and regions, including, notably, Colombia, the Philippines, the Balkans and the Sahel. USAID manages programs that address drivers of violent extremism in Africa, the Middle East, and Asia and funds regional programs in the Maghreb and the Sahel in close coordination with the Departments of State and Defense and other agencies (in particular, the Trans-Sahara Counter-Terrorism Partnership Fund, for which USAID is a key implementing agency). USAID's countering violent extremism approach in the interagency has focused on youth empowerment, inclusion, media, local governance, reconciliation, and conflict mitigation. USAID also takes a lead role in implementing the Security Governance Initiative (SGI), an interagency effort to strengthen security-sector governance and accountability. In 2016, SGI will support implementation of justice-related efforts in Mali, Ghana and Kenya. SGI assistance is designed to complement other U.S. efforts to advance other high priority security goals.

13. How is USAID's expertise in promoting good governance connected to, or embedded with, military capacity-building programs?

Over the past decade, USAID has significantly increased cooperation with the Department of

Defense (DoD) in order to achieve better development outcomes in support of the U.S. National Security Strategy. USAID's Policy on Cooperation with DoD, issued in June 2015, defines three levels of cooperation: communication, coordination and collaboration. These can include policy and strategy development; cooperation in plans and programs; and monitoring, evaluation and learning. Enhanced coordination between USAID and DoD's Defense Institution Building initiative is reflected through activities in public financial management, anti-corruption, oversight of the executive branch by legislatures and/or civil society, and countering wildlife trafficking. Since defense expenditures can be a significant component of a partner nation's budget, DoD has reinforced USAID public financial management programming while working with Ministries of Defense in developing National Military Strategies, budgets and resourcing alternatives. Furthermore, DoD has worked to strengthen the relationship between Ministries of Defense and Finance by increasing the level of detail in the reporting of defense expenditures from a single line item to multiple accounts, which has greatly increased the transparency of government spending.

To strengthen interagency synergies and effectiveness, USAID has Senior Development Advisers embedded in DoD's regional Combatant Commands and the Pentagon. These advisers enhance cooperation between DoD and USAID Missions and between the Office of the Secretary of Defense and Joint Chiefs of Staff and USAID regional and functional bureaus.

An example of USAID's expertise in good governance in influencing military capacity building programs is through the Security Governance Initiative (SGI), a multi-year, interagency effort (\$65 million in initial funding) that assists six African partners—Ghana, Kenya, Mali, Niger, Nigeria, and Tunisia—in improving security sector governance and capacity to address threats. SGI's main goal is to support partner nations to develop and enhance policies, institutional systems and processes that enable them to more efficiently, effectively, and responsibly deliver security and justice to their citizens. SGI is not a tactical training and equipping program, but instead focuses on supporting partner nations' efforts to improve the management, oversight, accountability, and sustainability of security sector institutions. SGI follows Presidential Policy Directive 23 on Security Sector Assistance as a guide to ensure transparency and coordination across the U.S. Government (USG). Through SGI and the PPD 23, we are helping partner nations build sustainable capacity to address common security challenges, as well as promoting good governance and sharing information, expertise, and lessons learned within the USG and beyond. This will help improve other ongoing and future security sector assistance efforts.

Within the six SGI nations, USAID has played an important role in the interagency formulation of Joint Country Action Plans, providing extensive experience in promoting public financial management practices, supporting civilian oversight, and strengthening the administration of justice in developing countries. In 2016, USAID will play a major role in the implementation of SGI action plans in Kenya, Mali, Niger and Ghana. For example, USAID has just launched assistance to Mali's justice sector as part of an integrated SGI strategy to improve governance in both the Ministry of Defense and National Police. USAID has also initiated a justice sector program as part of Kenya's SGI plan to carry out more effective border management and police reforms.

14. More broadly, would you agree or disagree that the United States has allowed too many countries to treat our assistance as entitlement programs, rather than pushing them to reform either the security sector or overall governance?

USAID's development assistance is designed to help countries eventually stand on their own: our mission statement is "we partner to end extreme poverty and promote resilient, democratic societies while advancing our security and prosperity." There are several ways in which our work promotes reform rather than entitlement.

First, our bilateral cooperation agreements with governments in the countries in which we work often include partner country contributions and commitments to development efforts and/or condition certain assistance on in-kind, financial, or human resource contributions by partner governments. These agreements include commitments by partner governments to broad development goals, including democratic governance and respect for human rights. For example, the Millennium Challenge

Corporation's Threshold Program, which USAID administered from 2005 to 2013, was aimed at improving governance, justice and law enforcement in 25 countries. Support was predicated on government follow-through to enact reforms and contribute resources. If governments carried out reforms, then countries received increased assistance from USAID or from MCC, as happened in Albania or Indonesia. On the other hand, several programs were wholly or partly suspended when partner governments were unable to keep their commitments, as in Niger and the Kyrgyz Republic.

Second, most of USAID's democracy assistance in particular is channeled to non-governmental organizations and local civil society to promote bottom-up accountability measures or pressures for reform. While governments often welcome USAID support for local organizations as a means of advancing reforms, they seldom view these efforts as entitlements.

Third, many USAID programs provide technical assistance and training as opposed to delivering equipment and resources. It is easier to withdraw technical assistance from an uncooperative government than it is to repossess arms, vehicles, or aircraft once delivery is made.

Finally, USAID is viewed in developing countries as a partner in fostering accountability in security sector institutions' internal practices, treatment of citizens, and respect for citizens' rights.

15. The Alliance for Affordable Internet has a set of policy and regulatory best practices that focus on: (1) maintaining a liberalized market with an open, competitive environment such as limited government ownership and independent expert regulation; and (2) policies and practices to encourage lower cost structure for industry, such as coordinated infrastructure deployment and taxing at a regular goods and service level rather than a luxury level.

- a. How are USAID and MCC promoting Internet access in developing countries?

Policy and Standards: USAID provides bilateral policy and regulatory technical assistance that supports the expansion of affordable, reliable Internet services into new areas. This is done through bilateral support for National Broadband Plans, Universal Service Funds, and the Technology Leadership Program, an interagency agreement that allows access to policy expertise provided by other agencies like the Federal Communications Commission.

Partnerships: USAID cultivates partnerships to 1) create a stronger policy and regulatory framework for an inclusive digital ecosystem (e.g., Alliance for Affordable Internet); and 2) incentivize private investments in new markets and new products that serve populations previously excluded from the digital economy (e.g., GSMA Connected Women Partnership to reduce the gender gap in mobile Internet and mobile money services).

Thought Leadership: USAID encourages collective action on Internet access and actively participates in industry forums such as the World Economic Forum's "Internet for All" initiative and the United Nations Commission on Science and Technology for Development.

- b. Is this an ad hoc approach or have you mainstreamed the Internet into your analysis, project design and policy recommendations?

USAID established a Digital Inclusion team through the U.S. Global Development Lab (the Lab) to systematize the Agency's approach to policy support for expanded Internet access and is mainstreaming this approach through its Digital Inclusion strategy. The Lab provides regular trainings for staff of our Missions abroad and is beginning to collaborate with USAID bureaus and offices to incorporate expanding Internet access into development programming.

- c. Have you adopted the best practices suggested by the Alliance for Affordable Internet?

USAID co-founded and continues to support the Alliance for Affordable Internet (A4AI). While USAID is not the U.S. agency responsible for adoption of these telecommunications (ICT) policies domestically, the A4AI principles, which the U.S. Department of State and USAID helped craft, are consistent with policies of the U.S. government (USG) and promoted by other USG agencies,

including the Federal Communications Commission. Further, USAID has adopted the A4AI policy recommendations in all ICT policy technical assistance provided to other governments.

- d. What developing countries have done a particularly good job in extending Internet service? Was this all executed by the private sector or did development agencies assist? Did U.S. development agencies have a role?

A number of developing countries have recently made strides in expanding Internet service by adopting progressive National Broadband Plans, putting into place effective governance of Universal Funds, and encouraging the deployment of innovative technology business models. In each case, these efforts have been critical in creating the environment for significant private sector investment. USAID has played an important role in a number of these initiatives, including in Indonesia and Kenya, with bilateral technical assistance for National Broadband Planning and Universal Service Fund management, consensus-building around key policy reforms, and strengthening the business case for greater private investment.

With technical assistance from USAID, the Government of Indonesia established its National Broadband Plan, signed by then-President Susilo Bambang Yudhoyono in September 2014. The plan is unlocking an estimated \$23 billion in investment and expects to connect 100 million Indonesians to affordable, low-cost technologies to deliver Internet to underserved schools, local governments, rural health clinics and citizens at commercially viable prices. While the private sector — both international and local companies — will provide 90 percent of the investment in building out Indonesia's broadband infrastructure, the policy and regulatory environment is critical to ensuring the market is attractive for such investment.

To complement our technical assistance to support Kenya's National Broadband Plan in 2013, USAID provided a grant that supported the launch of Internet provider Mawingu Networks, which also received early-stage funding from Microsoft, Vulcan, and other investors. Support for this innovative technology deployment has allowed Mawingu to expand to the point where it has recently started to attract interest from commercial finance.

16. What are you doing to ensure that data and evidence is actually being used by people in partner countries to hold their governments accountable for results? How are data and evaluations being used by USAID and MCC to improve programs and inform decision-making?

Within USAID, data and evidence are required to inform decisions at every phase of the program cycle, including strategic planning, project design, project implementation, monitoring, evaluation and learning. For example, a recently published independent study on evaluation utilization at USAID found that 59 percent of approved country strategies were found to have referenced findings from USAID evaluations and 71 percent of respondents reported that evaluations had been used to design or modify a USAID project or activity.

In 2014, USAID began publicly sharing data files and its open data plan through its new Open Government website as part of the U.S. government's open data initiative. USAID continues to expand the data it shares externally, increasing publications to ForeignAssistance.gov (known as the Foreign Assistance Dashboard) and the International Aid Transparency Initiative. USAID also recently launched the Foreign Aid Explorer, which shares 40 years of data through an easy-to-navigate website. To support accountability in partner countries, USAID works with organizations such as the International Initiative for Impact Evaluation (3ie) and Voluntary Organizations of Professional Evaluators (VOPEs) that play strategic roles to strengthen the enabling environment for evaluation within these countries. USAID is a board member of 3ie, and supports its work to develop a body of evidence for what works in development through methodologically rigorous impact evaluations. 3ie also works to build demand for evidence among policy makers in developing countries and encourages researchers to engage policy makers from the outset of their work. As an example of efforts to increase accountability and use of evaluations, USAID provided a grant to EvalPartners, which brings together

international and local organizations in a global movement to strengthen national evaluation capacities. EvalPartners established a Parliamentarians Forum, an initiative to enhance the capacities of civil society organizations to engage in a strategic and meaningful manner in national evaluation processes, contributing to improved country-led evaluation systems and policies that are focused on equity and gender equality.

As an example of how partner countries use evidence from evaluations, the results from a USAID-commissioned impact evaluation of a USAID/Mozambique reading program for second- and third-graders indicated a greater level of improvement in reading skills when literacy-based intervention is complemented by school management support. This led to the Government of Mozambique requesting that the activity be scaled up from working with second- and third-grade students in 120 schools to also reaching children in first grade in 1,060 new schools. Recommendations in the evaluation regarding galvanizing community participation have been incorporated into the design of a new Mission-wide civil society advocacy activity.

17. In the past, USAID has expressed reservations about publishing un-redacted evaluations that include a grade or score for the performance of grantees or contractors. Why? How can you hold grantees and contractors accountable for delivering results if they are never subject to public scrutiny?

All final USAID evaluation reports are available on the Development Experience Clearinghouse (dec.usaid.gov) except for approximately five percent of evaluations completed each year that are not public due to principled exceptions guided by OMB Bulletin 12-01 Guidance on Collection of U.S. Foreign Assistance Data. These include: when public disclosure would interfere with the Agency's ability to effectively discharge its ongoing responsibilities in foreign assistance activities, when public disclosure is likely to jeopardize the personal safety of U.S. personnel or recipients of U.S. resources; when there are legal constraints on the disclosure of business or proprietary information of non-governmental organizations, contractors, or private sector clients; when the laws or regulations of a recipient country apply to a bilateral agreement and restrict access to information; and when data reveal private information about individuals that must be kept confidential consistent with ethical guidelines and federal regulations. Evaluations are not redacted due to poor performance of the activity or project. USAID evaluations are generally focused on whether, why and how project or activity performance objectives are met, as opposed to judging or rating the specific performance of the contractor or grantee, which is an audit function. Contractor performance assessment is guided by USAID operational policy - Automated Directives System Chapter 302. As required in Federal Acquisition Regulation Subpart 42.15, USAID evaluates contractor performance using the Contractor Performance Assessment Reporting System (CPARS). Information in CPARS is available for Contracting Officers across the U.S. government to use in making determinations regarding future awards. In 2013, USAID updated its policies, elevating past performance to a range of 20 to 30 percent of non-cost evaluation criteria.

18. How does the administration plan to integrate disaster risk reduction into the development strategies for countries that are most vulnerable to disasters? How and where are you investing in DRR currently?

Disaster Risk Reduction (DRR) is a cornerstone of USAID's efforts to build resilience to recurrent crises in chronically vulnerable areas of Kenya, Ethiopia, Somalia, Uganda, Niger, Burkina Faso, Mali and Nepal. In line with USAID's Policy and Program Guidance for Building Resilience to Recurrent Crisis, DRR activities are integrated into a broader set of investments aimed at reducing and managing risk, building adaptive capacity and facilitating inclusive growth. DRR investments achieve these aims by:

- Expanding economic opportunities - through targeted investment in crop and livestock value chains, diversifying livelihoods to reduce exposure to climate and other risks, and improving access to financial services, including crop and livestock insurance.
- Strengthening governance - including natural resource, conflict and disaster risk management, as well as the capacity of local institutions in each of these areas.
- Improving human capital – including health, education and nutrition, as well as improved access to clean water and sanitation.

USAID supports both global and country- and region-specific DRR programs. These programs are designed to address widespread or recurring humanitarian issues and strengthen disaster preparedness and response capacity worldwide. USAID continues to align its disaster risk reduction programs with the Sendai Framework for Disaster Risk Reduction: 2015-2030 to substantially reduce disaster losses.

The three broad areas in which USAID/OFDA works to reduce disaster risk are:

- Prioritizing and strengthening early warning, preparedness, mitigation and prevention
- Integrating this with disaster response, early recovery, and resilience
- Supporting diversified, resilient livelihood strategies

Complementing these efforts, in FY 2014, USAID's Bureau for Food Security programmed \$5 million in Disaster Risk Reduction funds under its Economic Resilience funding to jumpstart recovery in Ebola-impacted areas of Guinea and Sierra Leone through longer-term agriculture investment. In FY 2015, Disaster Risk Reduction funds were used to expand similar investments in earthquake impacted areas of Nepal. In both cases, these programs seek to speed recovery and reduce future risk.

19. Members are being asked to support a draft bill that would establish a pilot program for disaster risk reduction activities in countries that experience recurring natural disasters; it is being called the STRIDE Act. USAID was asked to comment on the bill several weeks ago, but I understand it has been difficult to get all of the affected bureaus on the same page. Can you provide us with your comments on this bill?

USAID applauds – and shares – the goal of strengthening capacity in partner countries, including for the integration of humanitarian and development assistance, helping plan disaster response and efforts to reduce risk, as well as supporting locally-led response to humanitarian emergencies. We have reviewed multiple drafts of the STRIDE legislation at various points, and provided technical feedback to Oxfam (the organization advocating for the bill), which they have taken into consideration. The Administration does not have an official position on the proposed bill, and the draft text is still under revision. Our comments on the latest draft provided to us are informal, and are subject to further changes to the bill text. We will be happy to provide further briefings to you and your staff as this issue evolves. Currently, the Agency has ongoing, significant efforts to integrate humanitarian relief and longer term development assistance, including in the Horn of Africa and the Sahel. Significant investment in this integration -- approximately \$300 million annually -- incorporates disaster risk reduction into USAID's activities in nutrition, health, water, agriculture, and infrastructure. USAID would want to ensure that any new structure proposed in legislation would not duplicate or undermine current efforts.

Additionally, USAID uses funds for resilience efforts from multiple accounts, including Title II Food for Peace, Development Assistance, and International Disaster Assistance, using a holistic approach towards promoting resilience in partner countries. USAID would recommend exploring how these interventions can be built upon or expanded as opposed to embarking on a new model.

Resilience principles are also currently a part of the Agency's strategic planning. In particular, USAID missions in crisis-prone countries are increasingly incorporating resilience principles in the

development of their Country Development Cooperation Strategies (CDCS), the USAID five-year country-based strategies that guide assistance planning and budgeting. We appreciate that the bill now includes references to the CDCS, allowing the process to be incorporated into the additional requirements called for in the bill. However, we believe USAID's missions already make significant efforts to integrate the needs, rights, and interests of the country's citizens, as well as the resource priorities for addressing potential future challenges.

Furthermore, many of the concepts contained in the draft legislation, including the use of measured outcomes, stakeholder assessments, and host country ownership, are already a part of USAID's process or practice. Although USAID missions often directly negotiate with partner governments, a formal requirement to arrange compacts with foreign governments as envisioned in the bill would demand considerable time commitment and have a substantial budgetary impact with additional burdensome layers of administration. It is not clear how the legislation as proposed would provide value added to ongoing activities.

USAID shares the underlying principles of the proposed STRIDE legislation, including tackling chronic vulnerability in disaster-prone countries and holding partner governments accountable. The Agency continues to work with its partners to improve the integration of resilience and disaster risk reduction into the continuum of assistance from relief to recovery to development. However, as currently drafted, this legislation does not provide USAID with any new authority, and potentially limits the Agency's flexibility, particularly given the current constrained budget environment.

20. Official Development Assistance is now only about nine percent of capital flows from the U.S. to the developing world, dwarfed by private capital flows of investment and remittances. How has USAID shifted its strategy to reflect and embrace this fundamental shift in the landscape? What would you estimate is the percentage of USAID's economic development programming that is focused on promoting trade and investment partnerships between the U.S. and our developing country partners?

The development finance landscape has changed considerably over the last several years, in part due to the success of foreign assistance in supporting reforms that facilitate private capital flows and domestic resources. USAID has taken significant action to adapt to this current reality. To sharpen the focus of its global development investments, the Agency has established priorities to increase commitments to achieve sustainable development outcomes, leverage increased private capital flows, diversify the range of private sector and nongovernmental partners, and invest in game-changing innovations.

USAID is committed to use its assistance whenever possible to help developing countries better mobilize their own domestic resources to finance their development and reduce dependence on foreign aid. The Agency is currently assisting some 13 countries with Domestic Resource Mobilization (DRM) expertise – helping countries to identify resources and improve their skills in order to provide services to meet the needs of their people (e.g., basic education, clean drinking water, health care).

USAID is also supporting mobilization of the large and growing pools of home-grown institutional capital in partner countries, particularly local pension funds, into the Agency's broader DRM strategy. It is also identifying opportunities to catalyze more investment by domestic pension funds in partner countries into alternative asset classes.

With this shift in development strategies, USAID is also working directly with more private capital providers to spur new lending in sectors critical to development. For example, through its loan guarantee program, USAID has mobilized \$4.2 billion in private sector financing from 343 partners across 74 countries to directly support development programming in agriculture, education, health, environment, small business and microenterprise expansion, and municipal financing.

Relative to trade and investment, in the FY 2017 budget request, USAID proposes to direct 11

percent (\$263 million) of its \$2.4 billion global Economic Growth portfolio to promoting trade and investment partnerships between the United States and its developing country partners.

21. Unlike other ongoing signature development initiatives, such as Feed the Future and PEPFAR, Power Africa is built primarily upon development finance rather than traditional assistance. Given the budget deficit environment we find ourselves in, do you think this type of approach (relying on leveraging private sector investment represents a critical turning point in U.S. foreign assistance strategy?

Emerging and transitioning markets have rapidly expanded over the past two decades, particularly due to the significant scale of private financial flows and investor interest in developing economies. This expansion has created new opportunities for the development community to harness new expertise and resources. USAID has responded by transitioning our development assistance approaches to leverage these business opportunities and work more strategically, sustainably, and at greater scale. USAID has evolved and deepened its work with the private sector to fit the development context over time. Since its inception USAID has worked to strengthen financial systems, improve regulatory environments, and strengthen the capacity of businesses in the developing world. USAID is contributing to the successful economic transformations of countries in Eastern Europe, South America, Africa and South Asia, many of which have graduated from USAID assistance. The next step, leveraging market-driven opportunities, is a natural progression.

In Sub-Saharan Africa, universal access to the power sector is projected to require an investment of \$300 billion to \$1 trillion, a funding level that extends far beyond the budget realities of current government and donor capabilities. Specifically, the U.S. government's Power Africa initiative partners with local governments and private sector companies to create an attractive investment environment. The U.S. government's initial \$7 billion dollar commitment for Power Africa has leveraged nearly \$43 billion in commitments from other public and private partners, \$31 billion of which are commitments from over 120 private sector companies. Additionally, using \$1.3 million in USG Power Africa Funds, USAID has leveraged \$7.2 million in private equity and \$10 million in debt to finance medium-scale renewable energy projects in Sub-Saharan Africa. This partnership was the first in USAID's history to provide a catalytic tranche of first-loss capital for a fund. For example, the partnership with CrossBoundary Energy will enable African businesses to establish their own renewable energy sources instead of using an unreliable power grid or purchasing expensive and polluting diesel fuel energy. On the heels of Power Africa's successful leveraging effort, USAID has formed the new Office of Private Capital and Microenterprise (PCM), designed to identify best practices according to this new approach. The goal of PCM is to help replicate these best practices in other sectors around the globe. PCM will develop and disseminate the USAID's technical skills to take advantage of the new economic realities in the developing world.

Finally, USAID's Global Development Lab is also looking at a number of innovative models to catalyze private investment into innovative enterprises in the developing world. For example, a Development Innovation Ventures award to Off-Grid Electric in Tanzania, a provider of solar home solutions in East Africa, was structured to enable that firm to raise a significantly greater amount of debt from private investors resulting in the opportunity to scale to at least a million homes.

22. Congress has started to place greater emphasis on transition plans for U.S. foreign assistance. What is your view on how we can move countries towards graduation, and how do we manage this process in a way where we continue to strengthen our economic and political partnerships with partner countries after they graduate from assistance?

Establishing tangible, achievable goals for foreign assistance outcomes that enable USAID to transition its relationship with a country, and benchmarks towards achievement of those goals, are integral to USAID's approach to transition planning.

Through increased program and country selectivity and focus, enhanced use of development innovation, and expanded leveraging of in-country, private and other donor resources, USAID is focused on helping countries progress towards genuinely self-sustaining development. This helps ensure that transitions are managed in a way that makes sense given a country's context, and that such transitions result in ongoing, robust economic and political partnerships with those countries.

In some countries, this means establishing mechanisms for the sustainability of particular efforts. USAID has worked with partner governments to set up foundations or other mechanisms to sustain investments after transition or graduation. In other cases, USAID has downsized its presence from a full Mission or Office to a Senior Development Advisor, or provided limited assistance from a regional platform, moving on a path to changing the nature of the relationship.

Occasionally, transition is an opportunity to forge a relationship of a different nature, one which is no longer that of the United States as donor, and developing country as recipient, but instead is a peer-to-peer strategic partnership. For instance, the USAID mission in India's goal in its current Country Development Cooperation Strategy is "USAID-India partnership transformed to increasingly contribute to global efforts to solve worldwide development challenges." The goal includes two components: strengthening the ability of Indian systems to meet the country's own development needs, and using Indian innovations to accelerate development outcomes both within India and globally.



Ranking Member Eliot Engel
“Review of the FY 2017 Foreign Assistance Budget: Aligning Interests, Ensuring Effectiveness and Transparency”
Questions for the Record for
USAID Administrator Gayle E. Smith
March 15, 2016

1. Has the recent relaxation of sanctions changed our assistance posture toward Belarus in any way? Are there new opportunities to assist the people of Belarus?

The U.S. assistance posture towards Belarus has not changed as a result of the temporary sanctions relief for certain businesses, an action that followed positive steps taken by the Government of Belarus (GOB) to release political prisoners and an improved presidential election (compared to previous elections). The GOB has not made substantive changes in the operating environment or election processes that would prompt reconsideration of USAID’s overall assistance direction. USAID will continue its work in the priority areas of human rights, civil society, independent media, economic diversification, and assistance to vulnerable populations.

2. How can we do more to help Georgia ensure that its transition to a liberal democracy is irreversible and that it remains a beacon of hope and refuge to pressured civil society groups in neighboring countries?

Georgia has made significant progress since independence towards becoming a fully democratic state and is unique in the region in its commitment to democracy. Its 2012 and 2013 national elections resulted in the first peaceful, constitutional change of power in post-Soviet Georgia. USAID will build on this promising trend by supporting the Central Election Commission as well as Georgian election monitoring organizations in the upcoming parliamentary (2016), local (2017), and Presidential (2018) elections. It will be important for Georgia to maintain and strengthen media freedom, continue to promote political pluralism, and ensure independence of the judiciary.

USAID is working on multiple fronts to strengthen Georgia’s democracy, including in the areas of democratic and economic reform, the rule of law, anti-corruption, civil society and independent media, electoral processes, and education. In FY 2015, the U.S. government allocated more than \$20 million to promote democracy and rule of law in Georgia. This continues in FY 2016, where U.S.-government funded programs in Georgia will seek to advance democratic political processes, strengthen civic participation, bolster independent media, and promote the rule of law. These efforts are designed to support government transparency, accountability, and responsiveness, and promote Georgia’s integration into the Euro-Atlantic community.

USAID programs are also working to ensure that Georgia is a regional example of a free, inclusive democracy by strengthening Georgian civil society to more effectively monitor and influence government policies and processes. In addition, we continue to support independent media, including by building the capacity of journalists in Georgia to demonstrate accurate and ethical reporting on public interest issues such as key government reforms. By improving access to balanced information sources and investing in Georgian independent media and civil society,

we can also further raise public awareness about Georgia's European Union (EU) integration process and its benefits. Through USAID's partnership with the Government of Georgia to support its obligations under the Association Agreement and Deep and Comprehensive Free Trade Area with the EU, the required legislative reforms will permanently enshrine liberal democratic ideals in the Georgian legal framework.

Inclusion, a key element of a liberal democracy, is another focus of USAID programming. By enhancing understanding and tolerance among diverse groups – with special emphasis on young people and including those divided by religion or ethnicity and those separated due to occupation of South Ossetia and Abkhazia – USAID is working to build bridges and move towards reintegration.



Representative Ted Poe
“Review of the FY 2017 Foreign Assistance Budget: Aligning Interests, Ensuring Effectiveness and Transparency”
Questions for the Record for
USAID Administrator Gayle E. Smith
March 15, 2016

1. USAID has not done a top-to-bottom, comprehensive review since 1987. The world looks a lot different today than it did then. The Soviet Union isn't around anymore- as much as Putin would like it to be. The world's population has increased by 2 billion people. And a gallon of gas may be low but nothing like the 89 cents it was then. The problem is because we haven't done a comprehensive review for 30 years, we don't know if USAID programs are fit to address today's development challenges and promote US strategic priorities. Isn't it time USAID does a comprehensive review?

USAID continually reviews how well its strategies, programs, and priorities meet current challenges, internally and in collaboration with the Department of State, other agencies, and the White House.

Following an intensive Presidential transition review of USAID and U.S. global development efforts, President Obama's 2010 Presidential Policy Directive (PPD) on Global Development laid out, in broad terms, the theory of change that guides USAID's overarching approach to development, which emphasizes broad-based economic growth and democratic governance as the drivers of sustainable development progress. The PPD also highlighted the dividends paid by investments in innovation, local capacity, and mitigating fragility to ensure gains endure. The PPD on Global Development explicitly acknowledges “a world shaped by growing global economic integration and the fragmentation of political power; by the rise of emerging powers and the persistent weakness of fragile states; by the potential borne of globalization and risks posed by transnational threats; by the unrelenting challenge of hunger, poverty, disease, and now global climate change.”

The priorities outlined in the PPD are reflected in the Presidential Initiatives that USAID helps implement, including Feed the Future, Power Africa, the President's Emergency Plan for AIDS Relief, and the Global Climate Change Initiative. These priorities also form the basis for USAID's continued investments in ending extreme poverty and building resilient, democratic societies, through programs such as education that promotes early-grade reading, building effective institutions, and ensuring access to clean drinking water. Based in part on the President's call for the elevation of development, USAID launched an ambitious reform agenda called USAID Forward focused on three main areas: 1) strengthening the Agency by pursuing a more strategic, focused and results-oriented approach, from strengthening our policy and budget management to enacting a state-of-the-art evaluation policy; 2) promoting sustainable development through high-impact partnerships and local solutions; and 3) identifying and scaling up innovative, breakthrough solutions to intractable development challenges. This ambitious reform agenda has changed the way USAID does business and has led to the establishment of core functions to address today's most pressing challenges more efficiently and effectively, including the establishment of the Bureau for Policy, Planning, and Learning; the Office of Budget and Resource Management; and the Global Development Lab.

The 2010 and 2015 Quadrennial Diplomacy and Development Reviews (QDDRs) also involved intensive reviews of USAID's policy approaches and management efforts, and the Agency's connection to U.S. diplomatic tools. The 2010 QDDR, for example, served as the platform to roll out the USAID Forward reform agenda, and the 2015 QDDR emphasized a further need to be dynamic, promote innovation, and harness the power of data.

Internally, USAID's Policy Framework, released in 2011, represents a comprehensive effort to organize priorities into a set of core objectives, aligned with key operational principles. More recent policy documents, such as USAID's Vision for Ending Extreme Poverty, released in 2015, elaborate on this framework, emphasizing that reducing poverty in all its forms – not just income poverty, but poor health, food insecurity, inadequate education, and a lack of freedom – is possible only when effective governance and accountable institutions underpin shared and inclusive economic growth through more vibrant markets, increased human capacity, more modern infrastructure, widespread peace and justice, and stronger safety nets. This Vision also includes analysis of trends associated with a shifting geography of poverty: more concentrated in fragile states but with persistent pockets even in middle-income countries; substantial churn, as households make gains only to fall back in the face of a destabilizing shock; increasing urbanization and heightened threats from climate-related natural disasters; and greater complexity overall, with greater integration and interconnectedness, more diversity of resources flows to developing countries, and exponentially rising opportunities – but also risks – posed by technological innovation. Each of these is a focus of ongoing work at USAID.

The 2030 Agenda for Sustainable Development, which all 193 United Nations member states adopted in September 2015, captures the development landscape we see today, and the diversity of challenges that countries face. Not only are USAID's priorities and investments well-situated to address this array of challenges, but many of the goals and targets within the 2030 Agenda are reflections of USAID's leadership in elevating them as global priorities in recent years, and of the Agency's continued work at the forefront of tackling the world's most salient and pressing development challenges.

2. Your evaluation policy states that when missions draw up a new country strategy, they have to identify at least one opportunity for an impact evaluation. Has that happened?

We have re-examined the requirement from USAID's Evaluation Policy, which was for Missions to identify at least one opportunity for an impact evaluation at the time of drafting a new Country Development Cooperation Strategy. The reason for reconsidering this requirement is that evidence from the past five years has indicated that it is not ideal to identify opportunities for impact evaluations during the strategy development process. Revised guidance being developed now would move that requirement to the project design phase, when interventions are less hypothetical and planning for impact evaluation becomes more realistic, allowing our efforts to be more effective.

3. Over the past few years USAID has increased its focus on data and evidence, by making more information available about its programs and by doing better evaluations. What are you doing to ensure that this data and evidence is actually being used by people in partner countries to hold their governments accountable for results and being used by USAID to improve its programs and inform decision-making?

USAID uses data and evidence to inform decisions at every phase of the program cycle, including strategic planning, project design, project implementation, monitoring, evaluation and learning. A recently published independent study on evaluation utilization at USAID found that 59 percent of approved country strategies were found to have referenced findings from USAID evaluations and 71 percent of respondents reported that evaluations had been used to design or modify a USAID project or activity.

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To support accountability in partner countries, USAID works with organizations such as the International Initiative for Impact Evaluation (3ie) and Voluntary Organizations of Professional Evaluators (VOPEs) that are able to play strategic roles to strengthen the enabling environment for evaluation within partner countries. USAID is a board member of 3ie, and supports its work to develop a body of evidence for what works in development through methodologically rigorous impact evaluations. 3ie also works to build demand for evidence among policy makers in developing countries and encourages researchers to engage policy makers from the outset of their work. As an example of efforts to increase accountability and use of evaluations, USAID provided a grant to EvalPartners, which brings together international and local organizations in a global movement to strengthen national evaluation capacities. EvalPartners established a Parliamentarians Forum, an initiative to enhance the capacities of civil society organizations to engage in a strategic and meaningful manner in national evaluation processes, contributing to improved country-led evaluation systems and policies that are focused on equity and gender equality.

As an example of how partner countries use evidence from evaluations, the results from a USAID-commissioned impact evaluation of a USAID/Mozambique reading program for second- and third-graders indicated a greater level of improvement in reading skills when literacy-based intervention is complemented by school management support. This led to the Government of Mozambique requesting that the activity be scaled up from working with second- and third-grade students in 120 schools to also reaching children in first grade in 1,060 new schools. Recommendations in the evaluation regarding galvanizing community participation have been incorporated into the design of a new Mission-wide civil society advocacy activity.

4. Tracking total cost by project rather than award is important because it gives even more data on how money is actually spent as opposed to big numbers that are too hard to tell what they represent. Do you agree with me that we need to get down to the project level when tracking total cost? Has USAID started to do this? If not does it have any plans to do so?

In order to enhance our ability to track programmatic- and project-related costs more effectively, USAID has established a Development Information Solution (DIS). We expect the DIS, a suite of information technology tools, to enable the Agency to demonstrably improve management and reporting across the entire program cycle. Procurement of system-related components are being undertaken with initial deployments envisioned to begin in April 2017.

5. I understand USAID's policy is to spend 3% of program funds on evaluations, but it has been difficult to reach that number. What changes are you focused on making to ensure USAID is complying with its own policy and spending the money that should be spent on evaluations?

USAID is committed to providing sufficient resources so that evaluations meet quality standards and are used to inform decision-making. A Hewlett Foundation study in 2014 found that there is a basic threshold cost for evaluation that does not rise proportionally with program expenditures. Therefore, organizations with larger budgets will show a smaller proportion of funds going to evaluation. In 2017, USAID leadership will reassess the target of spending three percent of program funds on evaluation so that several years of data can be used to determine whether the target is appropriate.

Spending and resources are not the only important factors regarding evaluation; USAID is focused on the quality and use of evaluations. A recently released independent study of evaluation utilization at USAID found that 59 percent of approved country strategies were found to have referenced findings from USAID evaluations, and 71 percent of respondents reported that evaluations had been used to design or modify a USAID project or activity. In addition, USAID Bureaus have developed an annual evaluation action plan to document best practices in improving evaluation quality and use, challenges that remain, and priorities for the year ahead.

6. We need to be encouraging countries to take responsibility for their own development progress and deliver results for their people. Last summer USAID told the GAO (GAO-15-377, Pgs. 64 and 69) that it would develop additional metrics by the end of the year to assess partner-country capacity, ownership and sustainability. What is the plan for rolling those metrics out and applying them to USAID programs?

USAID recognizes that appropriate approaches to country ownership and achieving sustainable outcomes must be tailored to the local context. USAID Missions need to have the flexibility to select program approaches and measurement strategies based on the local context. USAID is developing guidance that will recommend monitoring and evaluation approaches to assess the effects of government-to-government assistance on partner country capacity, ownership and sustainability. The Agency is on schedule to issue this guidance by June 2016.

7. Do Congressional appropriations earmarks make foreign aid less efficient? What are the restrictions in place that prevent USAID from supporting more long-term, multi-sector programs?

As noted in President Obama's 2010 Presidential Policy Directive on Global Development (PPD-6), Congress has been at the forefront of efforts to strengthen U.S. development capabilities and to chart new directions and priorities. USAID has been grateful for the bipartisan support our work has received and we remain committed to the shared goal of ensuring that our programming is effective, efficient, and accountable. Working together has produced notable successes in areas such as agriculture, biodiversity, education, HIV/AIDS, maternal and child health, and water and sanitation, as well as in accountability and transparency.

As also called for in PPD-6, USAID has sought to be more selective about where and in which sectors it works, because the United States cannot do all things, do them well, and do them everywhere. Following best development practices, USAID has sought to focus its efforts in order to maximize long-term impact and to base programming decisions on local contexts and needs in the countries in which the Agency works. That is one of the key reasons USAID's Missions overseas lead in the development of Country Development Coordination Strategies, rather than having them centrally planned from Washington.

Restrictions or overly prescriptive guidance (from any source) on funding can impact the ability to respond to needs on the ground and provide assistance where, when, and how it can be most effective. As such, the Administration has sought to reduce earmarks and funding directives to preserve the Agency's ability to allocate funding to the most effective programs that address the greatest needs, while committing the Agency to a higher standard of accountability for results. USAID recognizes that any meaningful and permanent change in how the U.S. conducts international development will require partnership with Congress.

Rep. Brad Sherman
“Review of the FY 2017 Foreign Assistance Budget: Aligning Interests, Ensuring Effectiveness and Transparency”
Questions for the Record for
USAID Administrator Gayle E. Smith
March 15, 2016

Question:

UNICEF and the Special Olympics have had a partnership since 2007 to help athletes with disabilities, and unified sports programs that include both those with disabilities and those without disabilities, as well as a healthy athlete program. USAID has funded some partnerships with the Special Olympics. Please provide data on how much money USAID is expending to support such worthwhile programs and what scope there is for expanding them.

Answer:

USAID is proud to have partnered for over a decade with Special Olympics and their athletic and public awareness programs for persons with disabilities. The Agency recognizes the power of sports as a catalyst for international development and has harnessed this tool to support women’s leadership, youth development, and the fight against HIV/AIDS, to name just a few examples.

While numerous USAID Missions abroad have and continue to support Special Olympics programs, USAID’s Center of Excellence for Democracy, Human Rights, and Governance is our primary office that supports disability sport programs around the world. This includes direct funding to Special Olympics and other disability sport organizations that are internationally and locally based. Globally, USAID provides approximately \$1 million per year for programs that focus on sports programs for persons with disabilities. There are currently two ongoing grants with Special Olympics, one in Cambodia and one in Serbia. In addition, USAID is supporting inclusive regional sports programs in Latin America (specifically, Brazil, Colombia, Ecuador, Peru, Bolivia, Chile, Uruguay, and Paraguay).



Representative William Keating
“Review of the FY 2017 Foreign Assistance Budget: Aligning Interests, Ensuring
Effectiveness and Transparency”
Questions for the Record for
USAID Administrator Gayle E. Smith
March 15, 2016

1. Equality in access to and control over economic and financial resources for women and girls is critical for equitable and sustainable economic growth, especially in developing countries. With the upcoming fourth anniversary of USAID’s Gender Policy, how would you assess the progress so far towards implementing the policy and what more needs to be done to ensure full implementation of the plan? Could you elaborate on how USAID intends to use funding to further this and similar policies in FY2017?

USAID’s commitment to promoting gender equality is expressed in its Gender Equality and Female Empowerment Policy, released in 2012 (Gender Policy). The Gender Policy positions gender equality and women’s empowerment at the core of USAID’s development work. Per the Gender Policy, the three primary objectives of USAID’s gender programming are to: 1) reduce gender disparities in access to, control over, and benefit from resources, wealth, opportunities, and services - economic, social, political, and cultural; 2) decrease gender-based violence and mitigate its harmful effects on individuals and communities; and 3) enhance the capability of women and girls to realize their rights, determine their life outcomes, and influence decision making in households, communities, and societies.

The Gender Policy complements several U.S. government-wide policies and strategies, including: 1) the United States National Action Plan on Women, Peace, and Security; 2) the United States Strategy to Prevent and Respond to Gender-based Violence Globally; and 3) the 2016 United States Global Strategy to Empower Adolescent Girls. The goal of U.S. Government efforts under the new Adolescent Girl Strategy is to ensure adolescent girls are educated, healthy, economically and socially empowered, and free from violence and discrimination, which promotes global development, security, and prosperity. In addition, the Agency has launched an initiative to create a Strategic Framework on Women’s Economic Empowerment and Equality, in support of the Gender Policy and USAID’s mission to end extreme poverty. This year, USAID has initiated a review of Gender Policy implementation. The Agency is examining the implementation of policy requirements, identifying successes and challenges, and looking for ways to strengthen USAID’s work on gender equality and female empowerment. While the formal assessment remains underway, evidence collected thus far suggests that substantial progress has been made.

Our annual policy reviews reflect this progress. For example, all USAID missions overseas now have a Gender Advisor or Point of Contact; nearly all missions have put in place mission-specific implementation guidance; missions have increased the use of gender equality and female empowerment indicators; over 10,000 staff have taken basic, online gender training as required by the Gender Policy; USAID now has a suite of additional training courses and resources on gender integration; and multiple public/private partnerships have been developed to help achieve the core outcomes identified in the Policy.

From FY 2010 to FY 2014, USAID investments of \$19 million have leveraged over \$62 million from 17 public and private partners to implement programs that support gender equality

in 32 countries. These investments have launched creative and prominent partnerships that demonstrate and elevate USAID's pledge to women and girls around the world. Partnerships have worked to decrease technology gaps, empower leadership by women and girls, and accelerate economic empowerment and access to education for adolescent girls.

FY 2017 funds will build on efforts to ensure gender analysis and appropriate integration is part of all Agency programming. As staff become more sophisticated in their integration efforts, more robust training is needed to tailor gender integration to specific technical areas and cross cutting issues, such as infrastructure and global climate change. For example, USAID is developing a new Education Strategy. FY 17 resources can help develop more specific training and complementary resources on gender integration in the education sector. This may include gender integration in a number of areas, including early education, job training, conflict settings. Finally, on the programmatic side, FY 2017 funds will enable USAID to enhance programming that promotes women's leadership, reduces gender-based violence, and accelerates support for women peace-builders, parliamentarians, farmers, and owners of small and medium enterprises.

2. At the release of this year's budget request, you noted the scale of need that some of these big humanitarian emergencies are creating, and the strain that puts on our humanitarian programs. You noted the need to get others to take on more of that burden. Plan Colombia represents one example. Outside of Colombia, what is USAID's plan for investing in the capacity of partner countries to respond on their own to smaller and medium scale disasters and emergencies? What evidence do you have of these plans being successful so far?

USAID is working to build resilience to recurrent crises in the Horn of Africa and Sahel with the intent of providing a model for scaling up elsewhere in the future. These efforts focus on chronically vulnerable areas of Kenya, Ethiopia, Somalia, Uganda, Niger, Burkina Faso, and Mali and aim to strengthen the ability of people, households, communities, countries and systems to mitigate, adapt to, and recover from shocks and stresses. They do so by expanding economic opportunities in and outside the agriculture sector, improving health and human capital, and strengthening governance and local institutions with a focus on natural resource, conflict, and disaster risk management. With the exception of Somalia, these efforts align to country-led strategies and investments that explicitly aim to reduce and manage risk, build effective systems with adaptive capacity, and facilitate inclusive growth among people and places subject to recurrent crises.

In Kenya, for example, the Ending Drought Emergencies (EDE) initiative for arid and semi-arid lands provides a common programming framework against which the Government of Kenya (GoK) has committed \$1.6 billion in resources that is complemented by \$1.5 billion in donor funding, including from USAID. The GoK has established a National Drought Management Authority to coordinate and institutionalize cross-ministry efforts on EDE. The GoK has also been an early adopter of a sovereign insurance mechanism—the African Risk Capacity—which is supported by USAID and allows the country to insure its own humanitarian risk and finance early action in the event of a drought. This is complemented by funded, county-level drought/flood contingency plans, as well as the scaling up of the Kenya Livestock Insurance Program based on learning from a pilot program funded by USAID. Together these actions aim at developing more cost effective, accountable local systems represent a transformation in the way that the GoK is managing shocks such as drought.

USAID's sustained support to the Government of Ethiopia (GoE)'s Productive Safety Net Program (PSNP) provides another example. Although the current El Niño drought is overwhelming the capacity of the government to manage the crisis on its own, PSNP has helped mitigate the impact of the drought by providing timely and predictable support to eight million chronically vulnerable households. The GoE also triggered a contingency mechanism in the PSNP that has enabled assistance to be provided to an additional two million households impacted by the drought. Finally, the GoE has provided \$381 million toward the response – more than any donor and carrying far more of the burden than it has in the past.

These examples provide evidence that progress is being made, even in Ethiopia in the face of the most severe drought in 50 years. They also provide an indication of the growing commitment and capacity in terms of governments and other local partners in crisis-prone regions shouldering their own humanitarian risk and burden. Sustained investment in support of these country-led and resourced efforts is required to further develop this capacity.



Representative Grace Meng
“Review of the FY 2017 Foreign Assistance Budget: Aligning Interests, Ensuring
Effectiveness and Transparency”
Questions for the Record for
USAID Administrator Gayle E. Smith
March 15, 2016

1. I'd like to raise an issue that is not discussed enough, especially when we are talking about our priorities and goals for international development. That issue is menstruation hygiene management (or MHM). Many school-aged girls in low- and middle-income countries face significant MHM challenges – including inadequate sanitation, access to safe and affordable feminine hygiene products, and outright discrimination. Improving menstruation hygiene management has a deep, positive impact on the long-term education, health, and emotional well-being of women and girls. With proper MHM, menstruating school-aged girls are able to stay in school an average 60 more days a year. That is two months' worth of schooling every year. We know women with some formal education are more likely to resist violence and are up to 6 times less likely to marry as children. Every extra year of secondary education can lead to significant increases in future earnings and significant reductions in infant mortality. In October 2014, representatives from a variety of organizations met for an “MHM in Ten” working meeting hosted by UNICEF and Columbia University. They developed a comprehensive agenda to transform MHM in schools over the coming decade and laid out priorities for how countries should tackle MHM. Given what we know about the importance of proper menstruation hygiene management, what is the USAID strategy to address these issues? Thus far, I've only found a few programs scattered through various initiatives, such as Let Girls Learn, Spring, ASPIRE, and SHOPS. Does USAID have a comprehensive strategy to address these issues? If not, will you commit to the formulation of one prior to the end of President Obama's time in office?

USAID agrees that poor menstrual hygiene management (MHM) can result in restrictions in schooling – and also mobility – for adolescent girls and women, and can create damaging long-term impacts on girls and women globally. Poor knowledge and management of women and adolescent girls' menstruation cycles can result in shame, silence and discriminatory treatment. As a result, USAID integrates MHM into our global health portfolio, including family planning, education, and water, sanitation and hygiene programs.

As part of USAID's implementation of its 2012 Gender Equality and Female Empowerment Policy (Gender Policy), the Agency recognizes the importance of MHM efforts and programming. Two of the Gender Policy's goals are particularly relevant to MHM implementation: Goal 1 - reduce gender disparities in access to, control over and benefit from resources, wealth, opportunities and services, including economic, social, political, and cultural; and Goal 2 - increase the capability of women and girls to realize their rights, determine their life outcomes, and influence decision making in households, communities, and societies. In addition, USAID has developed an implementation plan to advance the U.S. Global Strategy to Empower Adolescent Girls. USAID is currently rolling out this implementation plan with the

intention of helping staff throughout the Agency design programs specific to the needs of adolescent girls, including MHM.

Let Girls Learn is a whole-of-government initiative to ensure adolescent girls get the education they deserve, including breaking down barriers to girls' education. As new programs are designed through a co-creation workshop with more than 75 U.S. Government partners and external stakeholders, USAID will be including MHM as a potential barrier to education in focus countries.

2. When a disaster occurs overseas, USAID's Office of U.S. Foreign Disaster Assistance (OFDA) coordinates the U.S. government's response. OFDA also maintains stocks of emergency relief supplies in warehouses around the world so it can maintain the ability to deliver supplies quickly when needed. Last April, a devastating 7.8-magnitude earthquake hit Nepal. More than 6,000 people died and hundreds of thousands became homeless. Reports from NGOs listed the feminine hygiene products, specifically soap and reusable sanitary pads, as one of the top five unmet needs of newly displaced populations. I understand that hygiene kits are provided to people in need, but I have not been able to ascertain what is included in these hygiene kits, and if feminine hygiene products are stocked. I've made a number of inquiries to USAID, but have not yet received a response. I'd appreciate any information you can share on this issue.

As you note, USAID's Office of U.S. Foreign Disaster Assistance (OFDA) coordinates the U.S. Government's response when a disaster occurs overseas. Included in the relief supplies stocked in USAID/OFDA warehouses are hygiene kits that contain both disposable feminine hygiene pads and reusable soft flannel cloth to address cultural norms related to menstrual hygiene management in the most appropriate manner.

The global kits are intended only to fill a short-term need where markets have been destroyed and local hygiene materials are not available in sufficient quantities to meet the need. As part of emergency response, USAID/OFDA supports non-governmental organizations (NGOs) that provide locally appropriate menstrual hygiene materials as part of hygiene and dignity kit distributions for populations affected by disasters.

Direct procurement by NGO partners is often prioritized to ensure that any hygiene items distributed are in the correct language and that beneficiaries are familiar with the products. After the 2015 earthquake in Nepal, USAID/OFDA responded by providing \$3.2 million to ten NGOs with the purpose of addressing water supply, sanitation, and hygiene promotion. In Nepal, menstrual hygiene materials and soap were available, so USAID supported local procurement of culturally appropriate hygiene items, including menstrual hygiene materials and soap to distribute.

I would be happy to arrange for your staff to be briefed on this important issue.



Chairman Edward R. Royce
 Questions for the Record
 “Review of the FY 2017 Foreign Assistance Budget:
 Aligning Interests, Ensuring Effectiveness and Transparency”
 March 15, 2016

Security Cooperation:

1. Likewise, to what extent does the foreign economic assistance program of the Millennium Challenge Corporation (MCC) offers a model for revamping U.S. security sector assistance to lash it up more effectively with efforts to improve governance?

MCC looks at governance very closely, both in candidate countries and in countries with which MCC is already partnering. Countries that do not prioritize good governance, including promoting rule of law and controlling corruption, are often unable to sustainably overcome barriers to economic growth and reduce poverty in their countries. MCC, through its powerful eligibility incentive as well as through some of its operational work, promotes good governance, ensuring countries are less vulnerable and less likely to face security challenges. MCC does this in two main ways:

First, MCC incentivizes good governance through its scorecard, which measures governance through a variety of indicators. Countries must pass the scorecard in order to be considered for MCC compact assistance thus providing an important incentive for countries to strengthen governance laws and policies before MCC spends a single dollar.

Second, MCC works with countries after they are selected as eligible for MCC compact assistance to identify their constraints to economic growth. In some cases, governance issues are identified as an overall constraint, and in many cases, policy reforms are identified as necessary to improve the governance in a specific sector. Additionally, MCC will support partner countries enacting policy reforms when required to ensure the sustainability of MCC projects, such as the creation of a road maintenance fund to ensure the sustainability of an MCC-funded highway. MCC’s work complements U.S. security sector assistance by generating impact in environments where governments are committed to the foundations of growth. In these select countries, MCC’s programs complement the other U.S. government programs that work to promote improved governance through security and foreign assistance.

Internet Access:

The Alliance for Affordable Internet has a set of policy and regulatory best practices that focus on: (1) maintaining a liberalized market with an open, competitive environment such as limited government ownership and independent expert regulation; and (2) policies and practices to encourage lower cost structure for industry, such as coordinated infrastructure deployment and taxing at a regular goods and service level rather than a luxury level.

1. How are USAID and MCC promoting Internet access in developing countries?
2. Is this an ad hoc approach or have you mainstreamed the Internet into your analysis, project design and policy recommendations?

Information and communication technologies (ICT) play a vital role in promoting economic growth, fighting corruption, and helping a country’s economy to grow and prosper.

MCC, therefore, factors internet access into investment decisions in a variety of ways. As part of the country selection process, MCC considers a Freedom of Information indicator, which measures a government’s commitment to enabling information to move freely in society. A significant component

of this indicator is a country's level of internet filtering, as measured by Freedom House's Freedom on the Net report.

MCC is committed to working with its U.S. government and international development partners to promote access to ICT services and has lent support to Global Connect, an initiative launched by the U.S. Department of State in September 2015 to increase internet access around the globe. Through this initiative, MCC has collaborated with and learned from other agencies – including USAID – which have deep expertise in ICT. During the development of compacts, MCC examines if, how, and when it should invest in the ICT space in its partner countries and how to best evaluate the rates of return, beneficiary profiles, and outcomes of such projects.

Already, MCC has invested in ICT as a complementary component to its infrastructure and policy reform projects in a number of programs. The decision to include or not include such a component is based on economic analysis, country driven decision-making, and the nature of the investment. For example, in Mongolia, MCC invested \$750,000 to install a 22km fiber optic cable linking computer systems to enable Mongolia's national grid to access wind energy. In Namibia, MCC invested \$500,000 to develop unused TV White Space (TVWS) in order to successfully bring broadband internet access to 28 schools in a 9,424 km² area (the largest TVWS project of its kind). In Tanzania, MCC bundled a fiber optic cable with the undersea power cable connecting Zanzibar to the mainland grid.

MCC is examining its portfolio for trends and working closely with its U.S. government partners to ensure it has the tools to identify cost-effective ICT projects in countries where ICT may be a binding constraint to economic growth. MCC will also continue to look for opportunities to realize efficiencies, improved outcomes, or other secondary benefits in cases where digital investments complement its infrastructure and institutional reform projects.

Recognizing that supply and demand are linked, and that improved government services may create increased demand for ICT, MCC is investigating whether the data management demands of its projects will create guaranteed markets for private internet service suppliers.

In such cases, the volume and standards MCC requires would set a benchmark allowing the market and private sector to use the techniques and technologies best suited to the specific country context to meet the agency's requirements. Furthermore, MCC may be able to help create broader internet access without dictating the form its infrastructure must take. MCC staff regularly talk with a variety of private sector partners to explore the merits of such ideas, and are committed to continuing to do so.

3. Have you adopted the best practices suggested by the Alliance for Affordable Internet?

MCC's past and present projects in the digital space are generally inputs into other projects rather than standalone ICT projects. That being the case, while MCC has not formally adopted the Alliance for Affordable Internet practices, the agency's approach to the data management requirements of utility systems in general (water, power, and transportation) is consistent with these principles that favor open, competitive marketplaces.

Application of Data and Lessons Learned:

1. What are you doing to ensure that data and evidence is actually being used by people in partner countries to hold their governments accountable for results? How are data and evaluations being used by USAID and MCC to improve programs and inform decision-making?

Ensuring citizens in MCC's partner countries have the ability to access and utilize data related to its projects is important for holding their governments accountable. MCC wants to ensure access to, and use of, this information, because increased access enables more meaningful participation of civil society and local stakeholders. It also assists governments in setting priorities for MCC investments and ultimately leads to greater government and community ownership of MCC-funded programs. At the

QUESTIONS FOR THE RECORD OF THE HONORABLE TED POE

COMMITTEE ON FOREIGN AFFAIRS, U.S. HOUSE OF REPRESENTATIVES
 “REVIEW OF THE FY2017 FOREIGN ASSISTANCE BUDGET: ALIGNING INTERESTS, ENSURING
 EFFECTIVENESS AND TRANSPARENCY”
 March 15, 2016

For Millennium Challenge Corporation CEO Dana Hyde:

1. MCC is known for its rigorous monitoring and evaluation. For example, MCC was the first agency to publicly share its impact evaluations. You were honest with the public about what worked, what didn't, and how you were going to fix it. What have you learned from your evaluations?

Answer

Transparency and accountability are two of MCC's bedrock principles. The agency's rigorous monitoring and evaluation policy requires that every project be independently evaluated, and MCC ensures that impact evaluations are completed whenever possible. Completing these evaluations has helped MCC in three ways:

First, they have helped MCC to design better projects. For example, Mozambique's Water Supply Project was designed to increase access to water in six of the country's poorest districts. While it did cut down on the time women and girls spent collecting water and provided access to cleaner water, the project ultimately did not reduce water-related illnesses or affect household incomes. MCC learned that much of the water contamination came from dirty buckets and bad storage practices after water was collected. This knowledge has helped MCC to more thoroughly examine the nature of the problems it seeks to tackle and to better design projects intended to address economic barriers related to water and sanitation.

Second, evaluations help MCC make more cost-effective investments, such as in the Honduras Roads project. In Honduras, MCC funded a farm-to-market road to cut down on transportation costs and increase access to markets. The independent evaluator calculated there was a high return on the investment, which is what MCC wants to see in its projects. However, the assessment determined that the project could have targeted roads with an even higher return on investment. From this, the agency learned that better due diligence about costs - especially taking the time to get full engineering road cost estimates - can lead to projects that will create more benefits and greater economic growth.

MCC has also made a commitment to look not just at individual projects but also, as in the case of agriculture, to learn from the portfolio of projects in specific sectors. The agency is currently working on assessing findings and lessons learned from an overview of the transportation portfolio and expects to examine other sectors, such as education and land, as more evaluations in those sectors are completed.

Finally, evaluations help hold MCC accountable for the programmatic choices it makes, as every MCC evaluation - right down to the microdata - is transparent and accessible. The projects' independent evaluations and their findings, as well as the evaluators' data, are freely available on the MCC website after they have been anonymized.

2. How does MCC use data and evaluations to improve programs and inform decision-making? Can you give any specific examples?

Answer

Reliance on data for key decisions is a core principle at MCC. It underpins every stage of the agency's work, from country partner selection, through program development and implementation, to evaluations.

Every autumn, MCC uses third-party data to assemble scorecards on candidate countries. The indicators MCC uses measure a country's commitment to ruling justly, encouraging economic freedom, and investing in its people. These indicators are intended to assess the degree to which the political and economic conditions in a country serve to promote broad-based sustainable economic growth and reduction of poverty. The data contained in these scorecards provides the MCC Board of Directors with transparent, objective metrics to help the Board select MCC-eligible countries each December.

Once countries are selected as eligible for MCC assistance, MCC economists work with their partner country colleagues to conduct a constraints to growth analysis that helps identify the greatest barriers impeding a given country's growth potential. For example, a constraints analysis may identify the low supply of electricity as a constraint or the high cost of transporting goods to market or a lack of relevant job skills in the labor force. Each of these constraints points MCC towards different sectors and projects.

As MCC works with its partners to develop project proposals, cost benefit analyses play a critical role in program design and decision-making. They help the agency select the projects that will have the greatest impact on the identified constraint.

MCC's use of data and evaluations continues through the implementation of its projects. The agency's cost benefit analysis process and rigorous monitoring and evaluation (M&E) practices and policies, which include independent evaluations for every project, provide the basis for an important feedback loop that allows it to correct course mid-compact if it isn't seeing expected outputs, and to adjust the program logic of future compacts if it isn't seeing the expected outcomes.

For example, MCC experienced significant project cost overruns in some early compacts that the evidence showed was due, in part, to a lack of feasibility studies and detailed project designs, and to insufficient contingency funds for dealing with dollar and commodity price fluctuations. While MCC had to re-scope some of these early projects, the agency has now taken this knowledge and made some changes to its compact development process in an effort to improve project cost estimates upfront and help ensure the projects it funds will be completed on time and under budget.

For projects working to raise the incomes of small farmers, evaluation findings inspired a portfolio-wide exercise, reviewing each agriculture project, as well as projects in other sectors, to examine the theory of change that provides the underpinning logic for these kinds of projects. This examination led to more focused program logic and helped to inform course corrections during implementation. For example, in the Moldova Compact, training in the irrigation systems was delayed in order to minimize the amount of time between training and water actually flowing in the canals. The logic is that this will yield better outcomes because people will better retain the training once they have the tools to act.

3. Critics say that given MCC's focus on economic development, its monitoring and evaluation system can't be used as a model for other agencies. Do you agree? Can lessons be learned from MCC that can apply to other USG agencies? If MCC can provide

important lessons learned, how does MCC share its lessons learned across the US government and with other folks like locals in the country and development professionals?

Answer

In a very broad sense, many of the goals and principles of the MCC, and its lessons learned, are being applied across U.S. government agencies. The Presidential Policy Directive (PPD) on Global Development established, for instance, economic growth and poverty reduction as the overarching objective of U.S. global development efforts and re-committed the U.S. to supporting democratic governance with a focus on sustainability and accountability – all core tenets of the MCC model. A broad range of the principles upon which MCC was founded have also been incorporated at other agencies for a whole-of-government approach such as the use of country selectivity and rigorous evaluations in Feed the Future, the focus on infrastructure and private sector leverage in Power Africa, and a compact development process for the Security Governance Initiative.

MCC applies the principle of transparency across the entirety of its programs and it is built into each stage of the MCC compact life cycle: selection, design, implementation, monitoring and evaluation. MCC clearly sets criteria for country selection; uses an evidence-based, disciplined and consultative process for the selection of investments; discloses compact agreements and publishes quarterly progress reports; practices open, transparent procurements; publishes the results of independent evaluations and the data behind them; and publishes its programmatic data in the IATI format.

At the same time, MCC recognizes that other agencies have different authorities and face different challenges and not all of our work may be directly applicable to them.

To share lessons learned and the information that results from MCC's monitoring and evaluation, the agency takes a number of steps to ensure that development professionals in Washington as well as the citizens of MCC's partner countries can both use its data for their own purposes and apply its lessons learned to their own work.

First, ensuring citizens in MCC's partner countries have the ability to access and utilize data related to its projects is important for holding their governments accountable. MCC wants to ensure access to, and use of, this information because increased access enables more meaningful participation of civil society and local stakeholders. It also assists governments in setting priorities for MCC investments and ultimately leads to greater government and community ownership of MCC-funded programs. At the same time, access to and use of information empowers electorates in MCC partner countries to hold their politicians accountable and provides MCC leverage against poor governance or poor project implementation.

To help facilitate this process, and to disseminate MCC's lessons learned to the broader development community, MCC disseminates information on the agency's learning, like the Principles into Practice paper series and holds public workshops on groups of evaluations (organized by theme, e.g. agricultural training or transport). The results of all evaluations are presented to and discussed with government partners, other U.S. government agency staff, and other stakeholders in the country in terms of their policy implications and potential lessons for future investments in the sector. For example, when MCC received the findings for its first five agricultural evaluations, it shared the lessons they produced widely. This included a workshop at USAID with agricultural sector colleagues so that they could utilize the agency's learning and

apply it to Feed the Future projects. MCC also frequently conducts dissemination workshops in country with country-employed counterparts.

4. MCC's 5-year strategic plan prioritizes fostering the accountability of governments to their citizens. As a democratic republic our nation was born on this idea. What lessons have you learned about strengthening the citizen-state compact that you are applying to your compacts?

Answer

Accountability is at the core of the MCC model. Foreign development assistance will have greater impact in environments where governments are committed to policies that foster economic growth—investing in their own people, supporting economic freedom, and ruling justly. MCC operates only in a select group of countries with governments that are responsive to public opinion.

MCC's evidence-based selection process for countries and implementation process for projects create incentives for policy reform and effective project implementation. To become eligible for MCC assistance, partner countries must invest in their citizens and ensure their political rights and civil liberties. Once MCC's engagement with a partner country has begun, the possibility that MCC could suspend assistance provides the citizens and civil society with leverage against poor governance or poor project implementation by a partner country's government.

In designing a compact, countries are required to consult their citizens and civil society to ensure populations have a voice in the design and implementation.

Governments - and MCC also - must be held accountable not only for program outcomes, but to ensure commitments are met. Compact funding must be linked to well-defined and verifiable outcomes, and that means MCC will cancel a compact or project if good governance is not maintained or if implementation of the program is not going well.

More directly, MCC also funds projects that promote accountability. In the Philippines, for example, MCC has supported a highly successful community development approach that gives the people a direct voice in what community projects are funded with taxpayer dollars. In Sierra Leone, the MCC Threshold Program will leverage the "Pay No Bribe" reporting platform, which will provide citizens with an open and transparent system to report bribery and petty corruption using mobile phones, in order to promote greater accountability on the part of utility companies to families accessing electricity and water.



Rep. William R. Keating
House Foreign Affairs Committee Hearing – March 15, 2016

Women:

Equality in access to and control over economic and financial resources for women and girls is critical for equitable and sustainable economic growth, especially in developing countries.

To what extent have MCC Compacts been successful in integrating women as partners and leaders in development projects and investments?

Answer

MCC strongly believes that women are essential partners in its projects and investments. MCC knows that improving the incomes and livelihoods of women is not only critical to reducing gender-based poverty, but inextricably linked to economic growth of its partner countries as a whole. MCC's commitment to integrating women as partners and leaders in development of projects and investments is driven by its principles of country ownership, its economic tools, and its policy commitment to integrating gender as it pertains to economic growth and poverty reduction.

MCC has had many successes in integrating women in the agency's work. In Lesotho, MCC's compact helped provide needed leverage for the passage of the Legal Capacity of Married Persons Act, after MCC identified the macro-level risk that, because married women were treated as minors under the existing system, women would not benefit equally from the compact activities due to their limited economic rights. Failure to create economic parity between men and women could limit economic returns from the funded projects. Many voices in Lesotho also sought this change, inside and outside government, and the potential size of the MCC investment as well as the pride the Basotho felt as an MCC eligible country, provided reformers the tools they needed to move the Act forward into law.

Another example is the Kalahi-CIDSS project in the Philippines, which aims to improve lives of women and men in rural, high-poverty areas through small-scale, community-driven development projects. This project has funded the provision of infrastructure and services such as water systems, clinics, and schools in poor, rural communities through community-selected and managed sub-projects. To date, 3,188 sub-projects have been completed, and the project is expected to impact more than 5 million people. The project included various innovations to strengthen gender impacts and consistently emphasized equitable participation and benefits. Through its Gender Incentive Grants, the project has spent \$1.2 million on 55 sub-projects for the construction of maternal health facilities, facilities for the protection of women against violence and the provision of basic services, and vocational skills training for low-income women in construction trades.

Further, MCC is using tools, such as the Women's Empowerment in Agriculture index, developed by Feed the Future, to increase its understanding of the connections between women's empowerment, food security and agricultural growth. It is an innovative way to measure how women benefit from agricultural investments.

Finally, MCC's implementation plan for the Administration's Global Strategy to Empower Adolescent Girls recognizes that the ability of women to be productive members of society starts with the opportunities available to them during childhood and adolescence. When MCC's economic analysis clearly links women's education to economic growth, it designs interventions to ensure that girls will be reached by and benefit from the project. For example, in Georgia, MCC is promoting high quality science, technology, engineering, and math (STEM) education and girls' higher learning in partnership with the private sector. Similarly, in El Salvador, MCC is investing in the development of a gender policy for and a gender unit within the Ministry of Education that will seek to address barriers to girls' education. MCC also partners with the Let Girls Learn initiative to share best practices and lessons with U.S. government partners.