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House Committee on Foreign Affairs
Sub-Committee on Asia and the Pacific

*Addressing Foreign Policies and Funding Priorities
for the FY 2014 Budget in Asia and the Pacific*

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Chairman Chabot, Ranking Member Faleomavaega and distinguished Members of the Committee:

Thank you for the opportunity to testify before this Committee today on the role of the U.S. Agency for International Development in supporting U.S. priorities and addressing development needs in Asia and the Pacific. As the hearing is focused on “Assessing U.S. Foreign Assistance Priorities in East Asia and the Pacific,” I will address my testimony to that part of my portfolio. Before I start, I want to acknowledge the critical role that this committee has played, in a bipartisan manner, in understanding and elevating the importance of U.S. engagement in the Asia Pacific region.

This afternoon, I want to share with you my perspective on the vital role of U.S. foreign assistance in this region and how USAID’s development programs address regional challenges and advance American interests. As my good friend and colleague, Joe Yun, has articulated, the rebalance to the Asia Pacific region is a key economic and national security priority as well as a recognition that the region presents the U.S. with an unprecedented opportunity for investment, trade and access to cutting-edge technology. President Obama laid out the vision and rationale for this foreign policy shift in his pivotal speech to the Australian parliament in 2011. He said, and I quote:

The United States has been, and always will be, a Pacific nation...As the world’s fastest-growing region -- and home to more than half the global economy -- the Asia Pacific is critical to achieving my highest priority, and that's creating jobs and opportunity for the American people....As President, I have, therefore, made a deliberate and strategic decision -- as a Pacific nation, the United States will play a larger and long-term role in shaping this region and its future.

This commitment was evident in the frequency and intensity of engagement from Secretary Clinton during her tenure and was reinforced by Secretary Kerry in his recent travel to the region and in his remarks before this Committee last month.

Mr. Chairman, deepening our engagement in Asia and the Pacific is sensible and strategic in a region that is home to two-thirds of the world’s population and the world’s fastest growing economies, but one that also encompasses nearly 30 percent of the world’s poor. We know that the region faces serious development challenges, such as a lack of dependable access to clean water, infectious disease pandemics, environmental degradation, food scarcity, natural disasters, and government corruption. These compelling needs in Asia require USAID assistance and

support to advance U.S. strategic interests. As the President noted in that speech, “Asia will largely define whether the century ahead will be marked by conflict or cooperation, needless suffering or human progress.” The Asia Pacific rebalance is, at its heart, our effort to ensure that the coming century is one marked by cooperation and human progress that extends mutual prosperity and security.

USAID’s programs in the region are focused on enabling that vision through support of bilateral and regional efforts to address the major challenges facing Asian economies and societies, by investing in health and human capacity, strengthening food security and helping the region cope with and mitigate the impacts of global climate change and natural disasters. At the same time, we recognize that a critical constraint to inclusive and efficient growth is persistent and pervasive corruption, weak systems of governance and continuing challenges to human rights and labor rights, and as such, much of our assistance focuses on these challenges.

Mr. Chairman, we recognize that for USAID to be relevant in Asia, with its growing economies and dynamic private sector, we need to change our business model. And so our programs and strategies in the region have been undergoing a transformation as part of the Administrator’s USAID Forward agenda, to reflect the following three realities:

- 1) Durable and sustainable solutions require local partners. To be truly sustainable, our assistance must invest in local institutions that can carry on the work long after our assistance has ended. Sometimes that means host governments, but often it means non-government institutions such as civil society, universities, and private sector organizations.
- 2) Transformational development requires robust partnerships. To be transformational, assistance needs to be at a scale that has national impact. To go to scale in countries with large populations and large economies requires partnerships that leverage other resources, whether from other donors, host country governments or private actors.
- 3) Science, Technology and Innovation enhance development outcomes. Complex and integrated problems will require new approaches. Partnerships between American and Asian scientific and academic institutions and private sectors will bring new research, technologies and innovations that are relevant to the complex challenges facing this region.

USAID stands ready to take up these challenges. The President’s Fiscal Year 2014 foreign assistance request for East Asia and the Pacific is \$768.3 million, an overall increase of 7.5 per cent compared to FY 2012 actual levels. The budget request prioritizes support for the political and economic transition in Burma and for the Partnership for Growth in the Philippines, advances the Comprehensive Partnership with Indonesia and helps consolidate economic gains as we transition our relationship with Mongolia.

Burma:

Since allowing the successful participation of opposition parties to participate in the April 2011 elections, Burma has continued to engage in a number of remarkable political and economic reforms in their transition toward democracy, improving human rights, strengthening rule of law, and increasing engagement with the international community. The FY 14 request includes a \$29 million increase to support this historic transition under the framework of the U.S. – Burma

Partnership for Democracy, Peace, and Prosperity that will strengthen democratic institutions and practices; improve the country's public health system; increase food security; support peace and reconciliation efforts; and support economic governance to promote broad-based, inclusive growth. U.S. assistance will also continue to support humanitarian assistance programs along the Thailand-Burma border and within Burma to provide needed services to vulnerable populations during the transition. Throughout its assistance program to Burma, the United States will emphasize the role of women as well as social cohesion, working across diverse populations to ensure that investments are sensitive to conflict dynamics.

Philippines:

The U.S. foreign assistance priorities in the Philippines mirror overall U.S. foreign policy strategic goals in the East Asia and Pacific region: promoting peace, democratic governance, stability, security, and prosperity. Development resources will accelerate support for the Partnership for Growth and help the Philippines achieve broad-based and inclusive economic growth, while continuing to strengthen the foundations for a more peaceful, democratic and well-governed state that rejects terrorism in the conflict-affected areas of Mindanao. The Philippines' steady progress in economic performance has continued, in large part, due to sound macroeconomic policies, increased export growth and foreign direct investment, improved competitiveness rankings, and the national government's steadfast commitment to pursue reform. To sustain this growth and ensure inclusiveness, USAID will more deeply invest in the Partnership for Growth to improve governance, expand fiscal space, and strengthen human capacity. Fiscal year 2014 assistance will improve regulatory quality, strengthen the rule of law and democratic practices, expand integrity initiatives, and promote sustainable and efficient fiscal policies. It will also localize growth by working with highly motivated local governments to improve their governance capacities and mobilize technical support needed to spur economic growth. Long-term economic growth will be enhanced through environmental programs to reduce the risks of disaster and biodiversity loss, strengthen conservation natural resource management, and increase access to sustainable water supply and sanitation services. USAID works closely with the Philippine government in designing and implementing programs, developing appropriate mechanisms, describing intended impacts, and identifying key economic barometers to assess progress and evaluate success. U.S. assistance seeks to maximize the impacts of security sector and development assistance programs in the Philippines through an effective, whole-of-government approach guided by a focused strategy.

Indonesia:

As the largest Muslim majority nation and the third largest democracy, Indonesia represents one of our most critical strategic partnerships in the region. Within the framework of the U.S.-Indonesia Comprehensive Partnership, U.S. development assistance supports Indonesian efforts to improve the quality of higher education and primary healthcare, strengthen governance and democracy, sustain the environment, manage disasters, and create an environment for technology and innovation to thrive. In particular, the FY 14 request includes a \$14.3 million increase in higher education funding that will support our commitment to enhance engagement in the region with greater cooperation through educational exchanges and a focus on innovative science and technology.

Mongolia:

Despite Mongolia's impressive economic gains, complex economic, governance, environmental, and capacity issues persist and widening social inequalities are a concern. USAID will focus its efforts on improving the business environment, facilitating diversification of the economy, and increasing trade and investment. U.S. assistance is designed to promote private sector-led growth and long-term capital investment as well as to aid the Government of Mongolia in addressing corruption, strengthening legal reforms, and creating greater transparency and accountability. USAID will also collaborate with the Government of Mongolia to develop a self-sustaining, legacy-based partnership that builds on the successes of current programs in accelerating government effectiveness and transparency, further strengthening rule of law, and increasing sustainable economic growth. Fiscal year 2014 assistance will provide the necessary foundation to implement this legacy program, ensuring that development gains are sustained as we transition from a traditional development program to a partnership that focuses more on trade and investment.

Regional Institutions

The President's request also prioritizes support for strengthening regional institutions in East Asia and the Pacific through increased funding for the Lower Mekong Initiative and ASEAN to accelerate regional integration, leverage higher education partnerships, devise innovative solutions to trans-boundary threats, and promote greater regional connectivity. We are also working with regional institutions and member countries to build disaster-resilient communities, enhance trade and investment, and to address trafficking in persons and illegal wildlife trafficking. Most recently, we have expanded our presence and programs in the Pacific to support regional institutions, like the Secretariat of the Pacific Community (SPC) and Secretariat of the Pacific Regional Environment Programme (SPREP), and to work with other Asian donors to strengthen Pacific Island Nations' ability to withstand the impacts of global climate change, to combat gender based violence and provide elections assistance to fragile democracies. As you know, under the strong urging of this Committee, and especially Ranking Member Faleomavaega, we have opened a USAID office in Papua New Guinea to manage these programs and enhance our engagement with these countries.

Program Priorities

As I noted, the goal of these programs is to create shared solutions to the challenges facing Asia. U.S. assistance in the Asia-Pacific focuses heavily on helping countries both bilaterally and regionally to address challenges in health, food security and agriculture, environment and climate change, governance, and disaster risk reduction.

Health - Across the region, USAID will devote 33 percent of the FY 2014 request to improving health outcomes. Four countries—Cambodia, Indonesia, Philippines and Vietnam—are USAID focus countries for the Global Health Initiative where U.S. investments have been highly successful in improving maternal and child health.

In Cambodia, for example, USAID has helped to increase the number of deliveries attended by trained healthcare providers by increasing demand and promoting timely referrals to hospitals. As a result, 825,000 antenatal care visits and 122,433 deliveries were attended by trained

healthcare professionals during the last year – an 8-10 percent increase from the year before. Ensuring that maternal health services are safe and accessible is an intervention that specifically targets and addresses barriers experienced by women.

USAID has effectively reduced the spread of infectious disease, including HIV/AIDS, avian influenza, malaria and tuberculosis (TB), which represent trans-boundary challenges for the region. Through the President's Malaria Initiative, USAID is successfully implementing programs in the Lower Mekong to control the development and spread of drug-resistant malaria through personal protection, rapid and high-quality case management, drug quality control and disease surveillance in Burma, China, Cambodia, Laos, Thailand, and Vietnam.

In Indonesia, for example, two existing USAID projects on malaria and maternal health were combined into one integrated, joint activity implemented by UNICEF to strengthen maternal and child health services in Eastern Indonesia. As a result of our support, 88 percent of deliveries in focus areas were attended by a skilled birth attendant, and 26,530 pregnant women in Eastern Indonesia received insecticide-treated bed nets, raising the total to 249,510 since 2010.

Food Security and Agriculture – Despite the remarkable economic gains and potential in the region, food security and agriculture remain a significant challenge as Asia is home to 62 percent of the world's hungry and 70 percent of undernourished children.

In Cambodia, USAID's participation in the Feed the Future program is increasing rural demand for quality agricultural inputs and new technologies through the promotion of improved agricultural practices for both small farmers and suppliers. This two-fold approach of creating demand from the farmer through increased knowledge and training, while simultaneously building the capacity of suppliers to address adequately farm safety, quality assurance, quality control, business development, and disease and pest identification, resulted in an average growth of 40 percent in sales made by rural enterprises, and a 300 percent increase in yields by U.S. assisted farmers.

Environment and Climate Change – Economic growth, food security, and the stability of Asian societies are based on natural resources which are being decimated at an increasing rate. This unabated destruction of terrestrial habitats, fisheries, and biodiversity will have significant local, regional, and global consequences. In response, USAID will direct 17 percent of the FY2014 request to share best practices and technologies to conserve forests and coral reefs, promote clean energy, support adaptation, strengthen sustainable fisheries management, stop illegal wildlife trafficking, and promote sustainable infrastructure development.

In Indonesia, for example, USAID continues to work closely with extractive industries in adapting and implementing best forest management practices to reduce the risk of forest degradation. USAID has identified and signed agreements with 13 forest concession companies, resulting in improved management of over one million hectares of high conservation value areas with significant biodiversity. We were also able to leverage over \$400,000 of investment from the private sector for climate change related activities in Indonesia.

Governance – As we have seen with Indonesia's shift from authoritarian rule to democracy and Timor-Leste's peaceful post-conflict transition, democracy and respect for human rights are

increasingly part of the fabric of the Asia Pacific. Nevertheless, we recognize that there is still much work to be done in countries like Cambodia, Vietnam and Burma.

For example, in Timor-Leste U.S. assistance led to demonstrable improvement in both the structure of the country's legal institutions and the services provided to their most vulnerable citizens. USAID's assistance enabled four of the country's local legal aid organizations to process cases for 536 new clients. USAID also enabled the continued development of Timor-Leste's key anti-corruption institutions, which began to show improvements in conducting investigations, managing caseloads and referring cases for prosecution. Timor-Leste's corruption fighting institutions have begun to make notable advances; in fact, in Transparency International's 2012 Perceptions of Corruption Index, Timor-Leste's rank moved from 143 to 113, a positive gain of 30 places.

To support Burma's ongoing reform efforts, USAID is focusing on democracy, human rights and rule of law through programs to prepare the country for a free and credible national election in 2015, improve the functioning of Parliament, and encourage reform in the justice sector. In addition, USAID will support civil society, the Government of Burma, and other stakeholders to strengthen mechanisms that promote transparent and accountable governance. In support of the upcoming elections, USAID has launched a three year, \$11 million program that will improve electoral administration to ensure free, fair, honest and credible elections; promote voter education; provide parliamentary strengthening assistance; and, support political party development.

Disaster Risk Reduction – In a region that experiences over 60 percent of the world's major natural disasters, USAID has made substantial gains in helping governments bilaterally and regionally to improve their disaster response capabilities.

For example, in the Pacific Islands USAID has been participating in the implementation of a five-year activity that aims to help 90 communities across 12 countries strengthen their resilience to climate change and the violent weather that can accompany these changes. This activity will build local knowledge through community-based trainings and participatory risk mapping and analysis and cultivate adaptive capacity by helping local leaders to factor climate change projections into traditional decision-making processes. We are also working with the University of Papua New Guinea to conduct research on forest management, carbon sequestration and forest rehabilitation. Additionally, USAID builds the capacity of the Federated States of Micronesia and the Marshall Islands in disaster preparedness, emergency response and recovery, and post-disaster reconstruction.

Closing

Mr. Chairman, USAID will help transform the U.S. Government's relationship with Asia, and support broader U.S. national security interests and strengthen our U.S. economy. As part of our "rebalance" to Asia, USAID will work in partnership with governments and societies, using host country priorities and resources to leverage development impact.

I appreciate the opportunity to share what USAID is doing in Asia and the Pacific and I am eager to hear your advice and counsel. I welcome any questions you may have.