

WRITTEN TESTIMONY
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Before the House Committee on Foreign Affairs, Subcommittee on Asia and the Pacific
Budget Oversight: Examining the President's 2015 Budget Request for East Asia & the Pacific
Tuesday, May 20, 2014

Chairman Chabot, Ranking Member Faleomavaega and Distinguished Members of the Subcommittee:

Thank you for the invitation to testify today on the role of the United States Agency for International Development (USAID) in supporting U.S. foreign policy priorities and addressing development assistance needs in East Asia and the Pacific. I am pleased to be testifying alongside my colleague from the U.S. Department of State, Assistant Secretary Daniel Russel.

This afternoon, I want to share with you our 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. Across the East Asia-Pacific, USAID has eight field missions that provide support to 22 countries. By nature of our mission, to end extreme poverty and promote resilient, democratic societies, USAID advances U.S. security and prosperity while furthering the core objectives of the Administration's Rebalance to the Asia-Pacific.

The President's robust Fiscal Year 2015 budget request of \$810.7 million for Department of State and USAID assistance in East Asia and the Pacific enables USAID to continue helping to lay the foundations for lasting progress in the region. Asia has become a key driver of global politics and economics and is closely tied to America's security and prosperity. Over the past three decades, the East Asia-Pacific region has experienced an unprecedented period of prosperity, propelling roughly 845 million people out of extreme poverty. Home to nearly one-third of the world's population, the region in 2013 contributed well over 40 percent of global growth and accounted for nearly 40 percent of global exports growth—higher than any other region in the world, according to the World Bank. Growth in East Asia and the Pacific is creating new trade partners for the United States, which drives growth here at home. For example, between 2008 and 2012, U.S. exports to this region grew by more than 30 percent. A core component of President Obama's Asia-Pacific Rebalance strategy is ensuring the region continues on this path and contributes to greater stability and prosperity throughout East Asia and the Pacific—and beyond.

While the region is home to some of the United States' closest allies and strongest trade partners, it also faces unique development challenges that threaten to derail continued shared progress and sustainable growth, such as a lack of dependable access to clean water, infectious disease pandemics, environmental degradation, food scarcity, natural disasters, and weak systems of governance and a lack of respect for human rights. Roughly 250 million people still live in extreme poverty in East Asia and the Pacific, one of the most densely populated regions of the world and an emerging disease hotspot where more than half of all natural disasters occur. Many of these poor live in coastal areas that make them extremely vulnerable to climate change.

USAID assistance expands stable, free societies, creates markets and trade partners for the United States, and fosters good will abroad through the promotion of economic growth and democratic opportunity, investment in people and institutions, and strengthening of physical and human security for all ethnic groups, women and other marginalized populations. We are tackling complex regional challenges and advancing U.S. foreign policy through four development approaches: 1) Advancing regional cooperation to effectively address cross-border challenges—primarily in the areas of trade and investment, agriculture and food security, environment and water, and health—to contribute to greater regional stability and prosperity; 2) Addressing regional development challenges through the three Presidential Initiatives: the Global Health Initiative, Feed the Future and the Global Climate Change Initiative; 3) Leveraging science, technology, innovation and partnerships to extend our reach and maximize our impact, while driving down costs and yielding a better return for the American taxpayer; and 4) Supporting Burma’s transition.

Advancing Regional Cooperation

In support of the Asia-Pacific Rebalance, we are working through the Association of Southeast Asian Nations (ASEAN), the Asia-Pacific Economic Cooperation (APEC) forum and the Lower Mekong Initiative (LMI) to magnify our efforts to drive progress and shape an effective regional architecture that strengthens regional stability and economic growth. Through USAID’s Regional Development Mission for Asia, we are engaging ASEAN in such areas as supply-chain development, disaster risk reduction, human trafficking, human rights and combatting the illegal trade in wildlife. We are also supporting regional players in achieving ASEAN economic integration by 2015—an important milestone that will fuel further growth, create more middle class consumers and expand export opportunities for United States business within ASEAN, which already ranks as our fourth largest export market. USAID’s five-year ASEAN Connectivity through Trade and Investment (ACTI) project supports this goal by providing technical assistance to improve ASEAN’s regulatory framework for trade and investment and private sector competitiveness, in line with the U.S.-ASEAN Trade and Investment Framework and the Expanded Economic Engagement initiative.

As part of this, we are providing business development and market linkage support for small- and medium-sized businesses, which account for 96 percent of all businesses within ASEAN and represent the majority of domestic employment. We are targeting the vast youth population—which represents 60 percent of ASEAN’s total population—as well as women and other marginalized groups for inclusion. To lower the cost of doing business across the region, we are supporting customs integration across all 10 ASEAN member countries to enable electronic exchange of data for cargo clearance, which accelerates the time to import and export, improves enforcement and compliance at the border, and reduces trade transaction costs and time. This ‘single window’ for conducting trade with ASEAN countries will also facilitate ASEAN’s participation in global supply chains, creating opportunities for expansion for American business.

We are also working with the Office of the United States Trade Representative (USTR) and the Department of State to increase trade liberalization and ease business facilitation through APEC

as well as through the implementation of the World Trade Organization Trade Facilitation Agreement.

Through LMI, we are facilitating cooperation on transnational development challenges in the Lower Mekong sub-region, which includes Burma, Cambodia, Laos, Thailand and Vietnam. LMI focuses on six pillars: agriculture and food security, connectivity, education, energy security, environment and water, and health. For example, recognizing that infrastructure projects such as large-scale hydropower dams can disrupt the river's major fisheries and degrade the food security, livelihoods, water availability and transportation options for approximately 60 million people in the sub-region, we are working together with the Department of State, other donors and LMI countries to pursue energy and development options that are more sustainable for people, economies and ecosystems.

Addressing Regional Development Challenges through the Presidential Initiatives

The Global Health Initiative operates in countries across East Asia-Pacific to address regional health priorities, including ending preventable child and maternal deaths, preventing the spread of HIV among key populations through the President's Emergency Plan for AIDS Relief (PEPFAR), addressing artemisinin-resistant malaria through the President's Malaria Initiative, responding to the burden of tuberculosis and multidrug-resistant tuberculosis, as well as improving surveillance and response capacity for pandemic influenza and other emerging threats in line with the Global Health Security Agenda. Through sustained commitments to improving health systems, we've made progress encouraging governments to invest more in reversing poor health trends. For example, in Cambodia, the government has gradually increased its health spending to levels above average in the region. We're also improving the control of tuberculosis and multidrug-resistant tuberculosis using rapid diagnosis technology called GeneXpert. This technology dramatically reduces the time it takes to diagnose drug-resistant tuberculosis from weeks to just a couple of hours, which plays an important role in preventing transmission and saving lives by ensuring people receive the correct treatment regimen. Since introducing the technology in Indonesia, which has one of the highest burdens of both regular and multidrug-resistant tuberculosis, the number of individuals with multidrug-resistant tuberculosis beginning treatment within two weeks of diagnosis has increased by 35 percent.

The Feed the Future Initiative operates in Cambodia and Timor-Leste, with an emerging focus on Burma. In Cambodia, rice is the predominant food crop, grown on the majority of the country's cultivated land and mostly only during the wet season. As a result, farm families are deprived of a nutritious diet and often go without food for part of the year when their rice runs out. The lack of an established domestic supply of fruits and vegetables means that the market is dependent on imports from neighboring countries. USAID helps farmers increase their incomes and gain access to a more nutritious diet by introducing high value horticulture crops to their field rotations and linking farmers to buyers. At the same time, USAID engages the private sector in providing advisory services and agriculture inputs, such as fertilizers and farming tools. Through this focus on diversification of rural production and income, USAID has successfully created the beginnings of a viable and sustainable commercial horticulture sector. Many commercial farmers have more than tripled their incomes as a result of USAID assistance.

In February 2014, U.S. Secretary of State John Kerry highlighted the urgency of addressing climate change—particularly due to its implications on national security as well as economic opportunities. Through the President’s Global Climate Change Initiative, USAID works with partners in Cambodia, Indonesia, Philippines, Timor-Leste, Vietnam and the Pacific Islands to reduce emissions from deforestation, promote sustainable and resilient societies, and foster low-carbon growth and clean energy. This is especially important as 10 billion pounds of airborne pollutants from Asia reach the United States annually. Sixty percent of the world’s natural disasters occur in Asia, and the region is extremely vulnerable to the negative impacts of global climate change. With its 17,000 islands and 34,000 miles of coastline (almost three times that of the United States), Indonesia is particularly vulnerable to sea level rise, ocean acidification, and the increasing frequency and intensity of severe storm events. USAID partners with the Indonesian government to protect 20 million hectares—almost the size of Nebraska—of ocean and coastal resources that impact the food and economic security of 250 million people.

Leveraging Science, Technology, Innovation and Partnerships to Maximize Impact

In this constrained budget environment, USAID is utilizing a new model of development that promotes partnerships and harnesses science, technology and innovation to enhance development outcomes and maximize impact. In Cambodia, for example, USAID is utilizing mobile technology to help civil society more effectively deliver information and services to every corner of the country. USAID’s programs supported the launch of an elections hotline that received over 600,000 calls from Cambodians interested in confirming voter registration and learning how and where to vote. USAID also developed an automated call-in system targeting garment factory workers, mostly young women, which provided information on their labor rights. The recently launched U.S. Global Development Lab will crowdsource scientific and technological research and open innovation to identify new solutions that increase the reach, speed and cost-effectiveness of development assistance, bolstering USAID’s work in this area.

Throughout Asia, we are leveraging new talent and resources wherever possible—from the growing private sector to expanded donor collaboration. USAID committed to deepening bilateral cooperation on development challenges with Japan during the first U.S.-Japan Development Dialogue in February 2014. President Obama and Prime Minister Shinzo Abe reaffirmed this pledge to expand development cooperation in their April 25 joint statement. USAID is similarly increasing its cooperation with the Korea International Cooperation Agency through the signing of a memorandum of understanding in April 2014. With the ratio of foreign direct investment to official development assistance in East Asia and the Pacific standing at 43 to 1, we are taking advantage of a unique opportunity to leverage private sector resources. A prime example of how we utilize this approach is in Timor-Leste, where we saw a great opportunity to partner with ConocoPhillips and double the number of farm families we were able to reach with crop diversification training. As a result, farmers practicing new horticulture techniques have boosted their incomes by up to 400 percent.

To achieve greater program effectiveness and more measureable results, USAID has worked aggressively through its strategic planning process to focus resources in countries where they are needed most, to activities that are the most cost-effective, and to programs that enable USAID to have the most sustainable impact. As part of this, in Mongolia, USAID’s presence and assistance

will draw down and transition after FY 2015 to a final program that builds on past USAID successes and investments and recognizes Mongolia's growing ability to meet development goals on its own.

Supporting Burma's Transition

Given the changing environment and expanding bilateral relationship following the re-establishment of a USAID mission in 2012, the United States is seizing an important opportunity to support a successful democratic transition in Burma, which will produce greater stability and increased economic opportunity regionally and for the United States. The robust FY 2015 request will enable USAID to continue supporting Burma on important upcoming milestones: the scheduled 2015 national election, advancing a durable peace settlement and meeting ASEAN 2015 economic integration standards. These issues present opportunities to achieve societal, economic and democratic progress and catalyze the country's reform agenda. Urging the Government of Burma to address and mitigate violence will play a key role in the country's transition.

Guided by the U.S.-Burma Partnership for Democracy, Peace and Prosperity, and consistent with the aspirations of the people of Burma, USAID strives to ensure that all of Burma's people play a vital role in their country's development and share a stake in its future. Specifically, USAID supports the ongoing peace process between the government and the country's ethnic minorities; bolsters Burma's transition to democracy; improves the health and economic well-being of the people of Burma, especially the 26 percent of the population estimated by the Government of Burma to be living in poverty; and integrates Burma into regional platforms that foster greater international cooperation and stability. USAID is poised to support the Burmese peace process as it reaches a critical stage along what is likely to be a long road to a lasting political settlement. Throughout this critical period in Burma's reform and opening, we are pursuing an approach that empowers civil society to engage with reform champions within the government to take advantage of opportunities to deepen reforms while guarding against retrenchment. Recognizing the long years of efforts and sacrifice of civil society actors in Burma, USAID seeks to increase our engagement with and support to those seeking to achieve a lasting peace. During the drafting phase of one piece of legislation—the draft Association Registration law, which concerns the registration of civil society organizations—USAID helped facilitate a much broader and inclusive consultation process between civil society and Parliament, which Parliament later characterized as “a model for future legislative drafting.”

The U.S. Government regularly engages the Government of Burma, local leaders, religious leaders and civil society on resolving the humanitarian crisis in Rakhine State—a front line challenge during the country's transition. We are providing humanitarian assistance to vulnerable and internally displaced people, including over 1.6 million people in 2013, and we are working to address the root causes of long-running conflicts and ethnic tensions.

In Burma, more than one-third of child deaths are a result of under-nutrition and 70 percent of the population lives off the land. USAID will ensure that investments in agriculture, food security and health provide an opportunity to improve lives and expand economic growth, particularly in remote, rural areas. A key area of focus is increasing the productivity and

profitability of rural enterprises with an emphasis on small-holder farmers and the landless. USAID provided significant input into the recently enacted Farmer Rights Protection Act, advising lawmakers to include issues such as freedom of crop choice, ministry coordination, a focus on small-holder farmers and support for farmers in the event of crop loss. Also, USAID programming has resulted in more than 12,000 farmers utilizing improved agriculture technologies. USAID's ongoing activities to strengthen Burma's health system include working with the government and other development partners to develop a national supply chain system for essential drugs and health commodities and launching Burma's first Demographic and Health Survey to collect baseline data critical to policy-making and service delivery planning.

FY 2015 Highlights by Country

Philippines

The Philippines, Southeast Asia's oldest democracy, is an important development, trade and security partner to the United States. President Obama's April 2014 visit to the Philippines underscores the importance of the U.S.-Philippines partnership. With 18 percent of the population living in extreme poverty, according to the most recent World Bank data, USAID programs focus on accelerating inclusive economic growth, improving quality health access and education, democracy and governance, rebuilding in areas impacted by Typhoon Haiyan, and enhancing environmental resilience through global climate change programming. In six conflict-affected areas of Mindanao, USAID strengthens civil society's ability to address important social and political issues—ever important after the March 2014 signing of the Bangsamoro Peace Agreement.

The Philippines is one of four countries worldwide selected to join the Partnership for Growth (PFG). Under the PFG, USAID collaborates with 15 U.S. Government agencies and the Philippine government to address the country's most binding constraints to growth: weak governance, including issues in land rights; inadequate fiscal resources; lack of infrastructure; and weak human capacity. Since PFG commenced in 2011, the Philippines has achieved remarkable economic progress. Real GDP growth has averaged 7 percent per year, the country's competitiveness ranking increased by 28 places and the Philippines advanced 35 places in Transparency International's Corruption Perceptions Index. The Philippines has also made great progress in making its regulatory environment more business friendly, ranking in this area as the world's fourth top reformer in the World Bank and IFC's *Doing Business 2014* report. In 2010, USAID helped enact the Residential Free Patent Law, which streamlined the land registration process, and has supported its implementation by assisting in the creation of land management offices in over 100 cities and municipalities which have issued 59,000 residential titles a year on average. USAID also assisted the Philippine government's Office of the Ombudsman in devising and initiating a process to account for all pending corruption cases—estimated to be around 15,000 to 20,000—an unprecedented effort since the inception of the office roughly 25 years ago. To alleviate endemic poverty in most rural areas and foster a more inclusive development trajectory, USAID also supports efforts to transform second-tier cities to become effective catalysts for growth in the rural areas and in urban centers outside of Metro Manila.

For more than two decades, the U.S. Government has worked with the Government of the Philippines to strengthen its disaster management system and response capabilities through the development of early warning systems and evacuation plans, and the training of emergency responders. Such training helped the Government of the Philippines more effectively respond in November 2013 to Typhoon Haiyan. We continue to partner with the Government of the Philippines, the private sector, diaspora communities and civil society to rebuild typhoon-affected communities, with a focus on increasing resilience to future natural disasters and climate change. For example, through a public-private partnership with Proctor & Gamble and Coca-Cola, we are rebuilding up to 1,000 small businesses damaged or destroyed by the typhoon.

Pacific Islands

The Pacific Islands are on the front lines of a variety of global challenges, including global climate change, infectious disease and natural disasters. USAID focuses on issues that provide the greatest socio-economic support to Pacific Island nations: global climate change adaptation and mitigation, HIV/AIDS prevention and treatment, women's peacebuilding and support for survivors of gender-based violence in Papua New Guinea, and elections support in Fiji. We work closely with Pacific Island governments, bilateral and multilateral donors, the private sector and civil society organizations to ensure that USAID programs have the greatest possible impact. A key ongoing priority is building the resiliency of more than 120 coastal communities across the Pacific to cope with more intense and frequent weather events and ecosystem degradation in the short term, and sea-level rise in the long term, with an increased focus on increasing the capacity of local partners to address the negative effects of global climate change.

For example, in 2013 at the Pacific Islands Forum in Majuro, Marshall Islands, we announced a new Pacific American Climate Fund project to provide and monitor grants for climate change adaptation measures to qualifying sub grantees in the Pacific Islands region.

Indonesia

As the world's largest Muslim-majority nation and third largest democracy, Indonesia is a regional and global player growing in influence as well as a linchpin of regional security. Given Indonesia's middle-income status, USAID is moving beyond the traditional donor-recipient model to an equal partnership that leverages greater resources from the Government of Indonesia to address development challenges. Under the South-South and Triangular Cooperation Memorandum of Understanding, signed by Secretary Kerry in February 2014, Indonesia and the United States collaborate on the provision of assistance to developing countries in areas of mutual interest, such as disaster risk reduction and democratic governance. Within Indonesia, USAID helps meet the needs of the most vulnerable people—including the 16 percent of the population living in extreme poverty—with a focus on improving health care and primary education. USAID also tackles environmental and disaster readiness issues, addresses Indonesia's high youth unemployment rate through the modernization of higher education instruction, and strengthens a just and accountable democracy that is politically and socially stable.

The United States serves as a long-term partner in helping Indonesia conserve its biodiversity—the second greatest in the world. Through the Tropical Forest Alliance 2020, which the U.S. Government created in partnership with the Consumer Goods Forum, a network of over 400 global companies, the Government of Indonesia is actively engaged in efforts to reduce commodity-driven tropical deforestation from soy, beef, palm oil, and pulp and paper—which account for nearly 40 percent of global tropical deforestation. Illegal and unsustainable deforestation not only puts vulnerable populations at further risk, but it also contributes to greenhouse gas emissions and the loss of endangered species, such as tigers and rhinos.

Vietnam

Accelerating Vietnam's transformation to a responsible, more inclusive partner and a market-based economy is a priority for the United States, particularly as Vietnam's influence grows throughout Asia. Vietnam has experienced rapid economic growth over the past 15 years and has risen to the status of a lower middle-income country. However, poor governance and other vulnerabilities, including an extreme poverty rate of nearly 17 percent, pose significant challenges to Vietnam's progress. USAID focuses resources to improve public participation and accountability in governance areas most likely to advance inclusion and well-being, such as in HIV/AIDS prevention and treatment, environment, economic reform and governance, social services for vulnerable populations, and higher education.

Enabling trade that benefits all citizens will help Vietnam continue its integration into the global economy. The United States Government has strongly supported Vietnam's economic governance over the past 10 years, and USAID assistance has been critical to the development of the legal and regulatory framework for a market economy in Vietnam. For example, USAID has a direct partnership with Vietnam's Chamber of Commerce and Industry to assess province-level competitiveness, drive regulatory reforms and improve the investment environment. Also, programming such as the Governance for Inclusive Growth program builds governance capacity to support successful implementation of Vietnam's trade commitments under the Trans-Pacific Partnership and other economic reforms that foster inclusive growth.

In support of greater inclusiveness, USAID helps persons with disabilities, regardless of cause, to integrate into society by improving access to health, education and employment, including through the Leahy War Victims Fund. Since 1989, USAID has provided more than 65,000 people with disabilities with skills training and job placement, corrective surgery, and prosthetic and orthopedic devices. Over 85 percent of provinces in Vietnam have drafted provincial disability action plans following USAID's engagement on the National Disability Action Plan. Also, USAID has helped expand access to lifesaving antiretroviral HIV treatment to roughly 45,000 of the 75,000 individuals who receive treatment in Vietnam. Under PEPFAR, USAID's programming is shifting to encourage the Government of Vietnam to take on more responsibility for treating and supporting those living with HIV/AIDS.

Vietnam is one of the most vulnerable countries to climate change. USAID programs focus on adaptation, sustainable landscapes and clean energy under the Global Climate Change Initiative, including increasing resilience in delta areas. Finally, noted as a priority in the joint statement issued by President Obama and President Truong Tan Sang in July 2013, USAID will continue

addressing legacies of the war between our two countries through the remediation of dioxin contamination. USAID will complete the clean-up of dioxin at the Danang Airport in 2016, and the U.S. Government has begun an environmental assessment of dioxin contamination at Bien Hoa Airbase.

Cambodia

After decades of war and conflict, Cambodia is at peace and achieving rapid economic growth as well as improvements in quality of life. Despite this progress, more than 18 percent of Cambodia's population lives in extreme poverty. USAID programs align with U.S. foreign policy to support Cambodia's transition to a sustainable and lasting democracy that respects human rights. USAID does not directly fund the Cambodian government. In support of the people of Cambodia, our programming focuses on improving maternal and child health; democratic governance, human rights and civic participation targeting women and youth; environmental conservation and global climate change; and agricultural production and food security. While the July 2013 Parliamentary elections saw an unprecedented level of civic engagement that led to a unified opposition party becoming a viable challenger to the ruling party for the first time, the ruling party continues to control the judicial system and has failed to protect freedom of expression and human rights. USAID continues to support peaceful civic activism, with a focus on the protection and promotion of human rights through support to civil society in order to mobilize communities around issues such as land tenure, gender-based violence, access to information, and the freedoms of speech, assembly and press.

Regional Development Mission for Asia

As the main hub for regional programming, USAID's Regional Development Mission for Asia (RDMA) serves as the forward-operating base of USAID Forward and the Asia-Pacific Rebalance through its robust engagement with governments, civil society, the private sector and regional institutions across 22 East Asia-Pacific nations. RDMA programs address critical development challenges related to environment and global climate change, health, agriculture, democracy and governance, and economic growth and trade—with a primary focus on the Lower Mekong region. RDMA is also working with regional donor partners, including Thailand, Malaysia and Singapore, to improve development results by pooling expertise and resources.

Conclusion

Mr. Chairman, Asia faces complex and integrated problems on a scale never before seen in history. In today's interconnected world, our success addressing these problems matters more than ever. Continued USAID assistance is vital in order to sustain gains and contribute to increased stability and prosperity in a region of the world closely tied to our own future.

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

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