

Gloria Steele
USAID Acting Assistant Administrator for Asia
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Chairman Sherman, Ranking Member Yoho, and Distinguished Members of the Subcommittee: Thank you for inviting me to testify on the vital role of the United States Agency for International Development (USAID) in advancing U.S. foreign policy priorities in South Asia. It is an honor to testify before this committee.

USAID’s development and humanitarian assistance is key to achieving prosperity and stability for our partner countries, as well as the United States. The President’s Fiscal Year (FY) 2020 budget request for USAID’s development assistance in South Asia is \$332.3 million, which represents a 73 percent increase over FY 2019’s request. This request supports USAID’s programs in Bangladesh, India, Nepal, Sri Lanka, and the Maldives.

Advancing the President’s Vision of a Free and Open Indo-Pacific Region

South Asia, a cornerstone of the President’s vision to advance a free and open Indo-Pacific in which all nations are independent, strong, and prosperous, is a region of great strategic importance. According to the World Bank, South Asia is the world’s fastest growing region and is projected to remain so through 2021, with India and Bangladesh both averaging real GDP growth rates above 7 percent. Yet South Asia’s continued growth—and the ability of U.S. companies to compete in the Indo-Pacific region freely and fairly—is hindered by deficits in governance, rule of law, and infrastructure.

With FY 2020 funds, USAID will continue to play a leading role in advancing the United States’ whole-of-government approach to realizing a free and open Indo-Pacific region. Together with our U.S. Government partners, and in coordination with like-minded donors, USAID supports interagency initiatives and key bilateral and regional efforts focused in three primary areas.

First, to advance the President’s vision, we are helping to strengthen democratic systems that are critical for peace and prosperity. Foundational to a free and open Indo-Pacific region is the ability of governments to create and sustain the conditions needed to attract greater private investment and withstand foreign pressure—conditions that are transparent, that adhere to international rules and standards, and that uphold human rights, fundamental freedoms, and democratic values. The Agency is a leader in the Indo-Pacific Transparency Initiative, which promotes sound, just, and responsive governance through strengthened democratic institutions, processes, and principles in Asia.

Second, we are helping to unlock private enterprise-led economic growth, which is key to sustaining and accelerating development progress. To do this, we help advance reforms to governing laws, regulations, and policies to ensure fair and open market competition and level the playing field for legitimate players, including the U.S. private sector. Our leading role in U.S.

Government initiatives, including the Infrastructure Transaction and Assistance Network and the Digital Connectivity and Cybersecurity Partnership, drives private sector engagement in the development of sustainable infrastructure and the digital economy—both powerful accelerants of growth.

Third, we are helping to improve natural resource management. The Indo-Pacific region is rich in forests, fisheries, and other natural resources important to the region’s long-term growth—including vital energy sources. Yet their sustainability is threatened by irresponsible infrastructure development, resource extraction that ignores environmental and social safeguards, and high rates of transnational environmental crime. USAID helps strengthen applicable laws, promotes the adoption and enforcement of international environmental standards, and fosters private sector engagement on sustainable supply chains, energy sector transformation, and safeguards. We play a leading role in Asia EDGE (Enhancing Development and Growth through Energy), a U.S. Government initiative that is increasing energy security and expanding energy access and connectivity across the Indo-Pacific region.

South Asia Strategy

South Asia is also strategically important to the President’s strategy for stability in Afghanistan. USAID’s country partnerships and engagement in the region help advance overarching U.S. objectives in this regard. This includes our deepening strategic partnership with India, which shares economic and humanitarian interests in Afghanistan, where India is the fifth largest donor. For example, in support of regional economic connectivity, this past fall, USAID sponsored the second annual India-Afghanistan trade and investment show, which both doubled attendance and the total value of deals negotiated compared to its inaugural year. With FY 2020 resources, we will continue advancing our efforts to bolster India’s role as a regional—and global—leader.

USAID’s Journey to Self-Reliance

At USAID, our ultimate goal for our partner countries in South Asia and around the world is to see them progress from being aid recipients, to partners, to fellow donors. We look forward to the day when foreign assistance is no longer necessary. We call the path to get there the “Journey to Self-Reliance.”

In support of partner countries’ progression toward self-reliance, USAID is realigning and reorienting its policies, strategies, and programmatic practices to improve how it partners with countries to develop their capacity and commitment to drive their own development. This includes commitments to open and accountable governance, inclusive growth, and the capacity to mobilize development funds domestically and through foreign direct investment. It also includes an emphasis on unlocking private enterprise-driven development to sustain progress.

This approach to development—which prioritizes fostering stable, resilient, prosperous, and self-reliant countries—is good for our partners around the world, our nation’s security, and the American taxpayer. With FY 2020 resources, we will continue to focus our efforts strategically where we can have maximum impact toward this goal. On that note, I will next provide brief country overviews and highlight our strategic focus areas.

Bangladesh

Bangladesh is a key Indo-Pacific partner in South Asia. With nearly one in five people living in poverty and a regression in its democratic development, the country faces immense hurdles as it aims to achieve middle-income country status by 2024. USAID programs focus on democracy, human rights, and governance; economic growth, food security, and trade; health and basic education; and environmental resilience and energy. We also continue our assistance to help some of the nearly one million Rohingya refugees in Cox's Bazar and Bandarban districts, as well as host and impacted communities.

In line with the President's vision for a free and open Indo-Pacific region, and advancing USAID's Journey to Self-Reliance, we are focused on strengthening democratic systems in Bangladesh. The FY 2020 budget request includes \$5.0 million for Good Governance. Programming supports the Indo-Pacific Transparency Initiative by promoting democracy, governance, and the rule of law, including improving access to justice and the delivery of legal aid in the formal justice system, particularly for underserved communities.

To restore democratic processes and political pluralism, programs will promote the democratic development, professionalism, and peaceful cooperation of political parties. Funds will also support labor rights and related reforms as well as strengthen space for civil society and media to act as a positive force in Bangladesh's democratic development. These activities both uphold human rights and promote increased U.S. investment in Bangladesh, as well as support Bangladesh in its goal of achieving middle-income country status by 2021.

We are focused on unlocking private enterprise-led economic growth. In support of this, the FY 2020 request includes \$7.5 million for Private Sector Productivity efforts. Programs will enhance the growth of Bangladesh's small and medium enterprises, including through the expansion of private sector partnerships and improvement of the business enabling environment. Key to this effort is boosting the agricultural economy. One-third of the FY 2020 ESDF request for Bangladesh will go toward improving agricultural market systems and nutrition through better farming practices, research, infrastructure, crop diversification, employment and entrepreneurship activities, and trade. This is a critical component of the U.S. Global Food Security Strategy.

We are also focused on improving natural resource management, which is especially important given the fact that Bangladesh is one of the most disaster prone countries in the world. Bangladesh is home to globally significant landscapes, including the Sundarbans, the world's largest mangrove forest. FY 2020 resources will help strengthen the conservation of key targeted ecosystems and support the establishment of a publicly accessible forest monitoring and inventory system and other sustainable landscapes interventions. Resources will also support USAID's continued assistance to the Government of Bangladesh to develop policies that encourage domestic and foreign investment in the renewable energy sector.

With regard to the influx of Rohingya refugees, and in recognition of the likelihood that their stay in Bangladesh will be protracted, USAID is pivoting to meet the needs of impacted

communities in Cox’s Bazar and Bandarban districts. Funding will support a multi-sector, integrated effort to improve local service delivery capacity, including water supply and sanitation, livelihood opportunities, and social cohesion. Funds will support marginalized children in Cox’s Bazar by increasing their opportunities for learning and supporting the resilience of school communities. These new investments will complement ongoing efforts to improve disaster preparedness by training local communities and government officials. In addition, USAID is rehabilitating and constructing cyclone shelters to mitigate potential impacts during the May-to-October cyclone and monsoon seasons. With USAID’s Office of Foreign Disaster Assistance support, our partners have completed repairs to 40 cyclone shelters in Cox’s Bazar as of early April 2019; in total, USAID partners plan to repair or refurbish more than 150 cyclone shelters, and by 2024, construct at least 20 new multi-purpose shelters.

India

In recognition of India’s integral role in both the President’s vision for a free and open Indo-Pacific region and a stable South Asia, the FY 2020 request includes an increase for India over both the FY 2018 and FY 2019 requests. Resources will bolster India’s continued emergence as a regional and global leader and strong strategic partner in advancing our shared objectives for peace and security in South Asia and the broader Indo-Pacific region. The request enables USAID to leverage domestic resources—including from India’s robust private sector that is legally mandated to contribute to social causes—in ways that help India better respond to its lingering development challenges, including health and air pollution.

India plays a central role in efforts to facilitate energy and infrastructure investment and connectivity across the region. This is particularly critical in South Asia, where intra-regional economic activity remains roughly 5 percent of South Asia’s total trade and holds tremendous potential to spur growth. The FY 2020 request includes \$20 million in new funds for Modern Energy Services, which will support regional energy activities that contribute to the goals of Asia EDGE to promote energy security and expand energy access. It will also build on the successes of the South Asia Regional Initiative for Energy (SARI/E) to expand the market for, and accelerate the deployment of, new and renewable energy technologies in South Asia. Activities will also create an enabling environment for an expanded regional power market, accelerated deployment of new and advanced energy efficiency technologies throughout South Asia, improved and efficient performance of utilities, and enhanced private sector participation in the region. In addition to energy connectivity, funding will foster natural resource security, disaster risk reduction, digital connectivity, and cyber security in the region.

FY 2020 funding will also support the Government of India’s capacity and commitment to move the country further along its Journey to Self-Reliance. USAID has helped India overcome some of the country’s most pressing development needs, such as acute food insecurity, while also strengthening the government’s capacity to manage and implement its development agenda. Despite these achievements, the country is home to the world’s highest burden of tuberculosis (TB) cases, and 20 percent of global maternal and child deaths. Working closely with the Government of India, the private sector, and civil society to identify, pilot, and scale up cost-effective innovations and best practices, funding will target the most important issues constraining India’s ability to address health concerns and social inequality. Our approach is

concentrated, strategic, and focused on technical assistance that mobilizes India's robust domestic resources. FY 2020 funds will support the globally shared goals of preventing child and maternal death and combating infectious disease threats, plus expanding access to clean water and sanitation. Under USAID's new Global Accelerator to End TB, our Mission in India has already started to play a prominent role in leading both private sector investments and local partnerships to combat TB. This emphasizes USAID's strong commitment to India's goal to be TB-free by 2025, a highly applauded commitment made by Prime Minister Narendra Modi.

USAID's Mission in India currently programs most of the Congressional earmark for Tibetan communities in India and Nepal, which focuses on strengthening the self-reliance and resilience of Tibetan communities in South Asia through sustainable livelihoods improvement and strengthened local institutions, equipping them to become effective leaders and maintain the vitality of their communities and institutions while sustaining their unique identity and culture.

Nepal

USAID assistance will support Nepal's transformation as a more capable, self-reliant partner that asserts its democratic and economic independence and promotes greater stability in the Indo-Pacific region. Although the country continues to make steadfast progress in overcoming its development challenges, including a decade-long insurgency that ended in 2006 and earthquakes that killed over 9,000 people in 2015, Nepal remains vulnerable to unsustainable debt, weak institutional capacity, and future disasters. USAID helps Nepal to bolster democratic governance, boost private sector-led economic growth, address Nepal's energy security and regional connectivity, strengthen health care and education systems, and build its capacity to mitigate and respond to natural disasters.

Nepal is in the midst of a historic devolution of powers and transition to federalism, which carries the potential for increased socio-economic development and stability. However, early challenges to this transition have emerged, including increased opportunities for corruption, renewed grievances from the conflict era, insufficient local government capacity to provide services, and openings for non-democratic influences from external actors. With FY 2020 funds, our assistance will address these emerging threats and support Nepal's democratic sovereignty by promoting transparent and inclusive governance, a free and independent civil society that holds the government accountable, and strengthened rule of law to deter transnational organized crime. Following on USAID's support for the historic 2017 elections, the FY 2020 request includes \$9.5 million to solidify democratic gains by increasing Good Governance.

Despite Nepal's economic progress, corruption and a weak business-enabling environment have perpetuated a fundamentally non-competitive economy. This has left the country vulnerable to unsustainable debt and predatory lending schemes. In line with the President's vision for a free and open Indo-Pacific region and USAID's Journey to Self-Reliance, our assistance improves the country's regulatory environment necessary to accelerate economic growth. Programs will promote business-friendly policies and regulatory reforms that advance a competitive market economy and support small- and medium-sized businesses. A total of \$7.5 million in Economic Growth funds is requested to help Nepal leverage trade and investment opportunities and realize its largely untapped economic potential.

In line with Asia EDGE, our efforts help to strengthen the energy sector's legal and regulatory framework, enforce environmental and social safeguards, and facilitate cross-border electricity trade with partners such as India. Additionally, we are boosting the agricultural economy and food security through sector modernization and strengthened market linkages. Finally, building upon USAID's success in helping Nepal recover from the 2015 earthquakes, we will continue to promote modern safety standards and sustainable financing for disaster-resilient construction as an alternative model for infrastructure projects in Nepal which impose unsustainable debt and questionable standards.

Our health and education investments support Nepal's Journey to Self-Reliance and optimize the long-term effectiveness of U.S. assistance. FY 2020 Global Health funds support the globally shared goal of preventing child and maternal deaths and the latest evidence-based interventions to reduce chronic under-nutrition among women and children under 2 years of age. Building upon our success in increasing literacy rates for over 318,000 early grade students, USAID will continue to support the government's national rollout of its early grade reading program to prepare Nepal's children and youth to contribute to a productive economy.

Sri Lanka

An island nation located along major trade routes in the Indian Ocean, Sri Lanka is critical to maritime and regional stability. Sri Lanka continues to navigate a path toward stability and reconciliation after a 26-year conflict and several natural disasters. Recent political turmoil, compounded by the April terrorist attacks, growing ethnic-religious nationalism, and slow progress on commitments to transitional justice and ethnic reconciliation, exacerbate Sri Lanka's development challenges. With elections at the provincial and national levels on the horizon for late 2019 and early 2020, USAID will use FY 2020 resources to strengthen Sri Lanka's capacity to play a positive role in a free and open Indo-Pacific region by bolstering democratic governance, fostering ethnic reconciliation and religious harmony, and enhancing fair opportunities for trade and investment.

In line with a free and open Indo-Pacific region and Sri Lanka's Journey to Self-Reliance, roughly half of the bilateral budget request will promote democratic governance. Funds will strengthen democratic institutions and the rule of law, empower civil society and the media, build upon a growing political openness, and promote respect for human rights, including for members of minority communities. To support Sri Lanka's Journey to Self-Reliance and strengthen the effectiveness, transparency, and accountability of key democratic institutions, funds will be used to support capacity building of institutions, including the Parliament and independent commissions, and increase civil society engagement in electoral processes. Funds will also support Sri Lanka's efforts to fulfill its commitments to transitional justice dating from the end of the civil war.

Also in line with a free and open Indo-Pacific region and Sri Lanka's Journey to Self-Reliance, the remaining bilateral budget request will advance economic governance. Using FY 2020 funds, our assistance will help level the playing field for trade and investment through transparent and accountable public financial management systems that help Sri Lanka effectively manage

domestic resources and debt so that the country can achieve growth and self-reliance, and avoid taking on unsustainable debt. Programs will promote inclusive economic development that allows for island-wide growth, for example, through a focus on small and medium enterprise development and entrepreneurship opportunities. Assistance will also provide the Government of Sri Lanka, especially the Port of Colombo, with infrastructure technical support.

Maldives

Following the Presidential election in September 2018 and recent Parliamentary election, Maldives is experiencing a renewed commitment to democratic governance and the rule of law—a critical step toward a free and open Indo-Pacific region. Growing prosperity in the Maldives heavily depends on fisheries and tourism—industries that are vulnerable to weather and market volatility. USAID partners with the Maldives to strengthen democratic and economic governance and environmental resilience.

FY 2020 resources will enable USAID to advance U.S interests and seize burgeoning opportunities presented by the Maldives’ democratic opening. Following the election last fall, USAID was quick in responding to a request from the new Maldivian Government to assist with developing and implementing its reform agenda. Specifically, USAID’s support to-date has helped the government solicit and respond to citizen input for its governance plans; provided the President’s office with capacity building in anti-corruption oversight, and implemented program-based budgeting in several ministries. To sustain hard-won democratic gains, FY 2020 resources will strengthen the effectiveness, transparency, and accountability of key democratic institutions at the national and local levels; work with civil society to counter radicalization to violence and recruitment to violent extremist organizations by increasing the resilience of vulnerable populations; and bolster the work of government and civil society stakeholders to investigate human rights violations and abuses and reform laws and policies that contribute to them.

In addition, FY 2020 resources will promote improved economic governance, with particular attention to increasing government transparency, accountability, and efficiency. Resources will support Maldivian efforts to counter corruption by improving the policy and regulatory environment for public financial management, supporting effective budgeting, and streamlining processes and aligning current policies to conform to transparent, international best practices. This will improve effectiveness of national expenditure allocations and the efficiency of public investment management. Resources will also continue to strengthen decentralized management of more resilient reef ecosystems, and establish sustainable financing mechanisms to support adaptive marine management.

Conclusion

Chairman Sherman, Ranking Member Yoho, and Distinguished Members of the Subcommittee: South Asia is a strategically important region for the United States, with tremendous promise that is constrained by significant development challenges. Much depends on the development path the region charts today. This budget request would provide the necessary resources for USAID to continue its critical role strengthening American security and prosperity through strategic investments that increase partner country self-reliance and advance a free and open

Indo-Pacific region—contributing to greater stability and economic opportunity for all. Thank you for the opportunity to appear before you today. I look forward to your counsel and questions.