



# PROJECT on Middle East Democracy

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**“Budget Hearing – US Agency for International Development (USAID)”  
House Appropriations Subcommittee on State and Foreign Operations  
2359 Rayburn House Office Building  
Wednesday, March 30<sup>th</sup> 10:00-11:30 am**

On Wednesday, the House Appropriations Subcommittee on State and Foreign Operations held a budget hearing for the US Agency for International Development (USAID). Administrator of USAID, Dr. **Rajiv Shah**, testified before the subcommittee. The Congressional panel was moderated by subcommittee Chairwoman Rep. **Kay Granger** (R-TX). Ranking Member Congresswoman **Nita Lowey** (D-NY) and House Appropriations Chairman Rep. **Jerry Lewis** (R-CA) were also in attendance along with Reps. **Jesse Jackson Jr.** (D-IL), **Steven Rothman** (D-NJ), **Mario Diaz-Balart** (R-FL), and **Adam Schiff** (D-CA).

Chairwoman Rep. **Kay Granger** called the hearing to order and made introductory remarks. She stated that although she understood the value of many of USAID’s programs on global health, economic growth, democracy and governance assistance, and disaster relief, the agency’s budget request for FY2012 was unrealistic in the current budgetary climate. **Granger pointed to a \$10 billion increase, or twenty-two percent, funding increase as a significant extra burden on American taxpayers.** She urged Congress to demonstrate an “immediate commitment” to restrain federal spending to combat the growing deficit and urged the prioritization of programs that supported national security needs while eliminating funding for programs that were “duplicative and wasteful.” Granger also asked for clarification for “large requests” for global health, food security, and climate change programs and questioned USAID’s planned staffing surge as part of Dr. Shah’s USAID Forward reform initiative. She cited the potential costs of the initiative as a concern.

Rep. **Nita Lowey** also followed with opening remarks. She said the USAID, “makes a profound statement,” to what the U.S. stands for in its efforts to help increase global security. USAID’s mission is as important as defense and diplomacy, she stated, and that proposed budget cuts would endanger USAID programs and compromise U.S. success abroad. **Lowey also argued that Congress would not make a significant contribution to balancing the budget or lowering the national deficit by cutting foreign development funds which represent less than 1% of the nation’s budget. Instead, the drastic cuts would risk stability and security around the world, she stated.** Continuing development aid is paramount for the U.S. to maintain moral leadership, she argued. The Congresswoman also expressed concern about USAID’s funding cuts to basic education to the tune of \$185 million. She claimed that basic education programs helps economic development and growth, increase gender equality, and increase capacity which is ultimately a critical weapon in fighting terrorism.

Dr. **Rajiv Shah** opened his testimony with an update on USAID humanitarian and disaster relief efforts in Japan which he categorized as a “whole government response.” He also spoke about USAID’s response to events in the Middle East and North Africa stating that USAID teams were working on the Tunisian and Egyptian borders with Libya to deliver food, health kits, and humanitarian supplies. Shah said that enough food aid had been delivered to feed over 600,000 people. Shah also reiterated President Barack Obama and Secretary of State Hillary Clinton’s remarks that development aid is as important to U.S. national security and foreign policy as diplomacy and defense. **He also reiterated that the budget request for FY2012 represents less than one percent of the federal budget and balances, “difficult trade-offs with a clear-eyed assessment,” of where funding would be most effective.**

Shah highlighted the role of democracy, human rights, and governance programs in helping to consolidate new and fragile democracies and promote liberty in authoritarian countries. Such programs ultimately keep Americans out of harm’s way by promoting stability. He quoted Secretary of Defense **Robert Gates**, General **David Petraeus**, and Joint Chiefs Chairman Admiral **Mike Mullen** in demonstrating support for the national civilian effort to

complement military action as part of a fully funded national security effort. Shah also spoke of his reform efforts through USAID Forward to combat waste, fraud, and abuse. He cited a new rigorous public evaluation policy that would be applied to all USAID programs. He also said that 20 countries would see cuts in development assistance as they reached higher national income and development levels and also stated there would be a \$400 million reallocation of funds to high priority countries. The Administrator also outlined his aggressive procurement reforms in prioritizing local entrepreneurs and the desire to move to a system of fixed cost procurement instead of cost-reimbursement, which he said costs the American taxpayer more. **In order to implement these reforms, which would ultimately save taxpayer money in the long term and open up markets to American businesses abroad, the \$1.5 billion operation request must be fully funded, he said.**

Rep. Granger commented on Dr. Shah's testimony by stating that although the budget request may represent less than one percent of the total budget, it amounted to 5% of discretionary spending, which is the figure the subcommittee is using to evaluate the budget request. She also asked Shah to elaborate on specific measures for 'direct assistance.' Shah replied that USAID was seeking to broaden its range of international partners by focusing on local institutions to help build local capacity without losing 'middle institutions.' He also stated USAID's goal of 50% direct assistance for Afghanistan through the Afghan Reconstruction Trust Fund which he said would be fully and aggressively monitored by USAID to ensure the funds are properly disbursed and used. Granger then questioned the credibility of local audit firms that USAID would be using in their assessments. Shah responded that each team would be assessed thoroughly and individually and that USAID would require mandatory data reporting to help monitor the flow of funds.

Rep. Lowey again questioned the funding cuts for basic education and asked for the agency's rationale in doing so. Shah responded that USAID had to make very difficult and challenging trade-offs and ultimately felt that by focusing more priority on economic aid, the agency would be more effective in places like Afghanistan and Pakistan. He acknowledged the importance of basic education and in particular girls' education as a vehicle for societal and economic stability and said that H.R. 1 goes further than that 17% funding cut that USAID proposed and virtually doubles that number. **The cuts proposed in H.R. 1 would cause an extra 10 million girls in Afghanistan and Pakistan to stop receiving education aid through USAID.** He further stated that education funds were prioritized toward primary education as evidence shows primary attainment increases the number of students who go on to secondary school. He highlighted a nine year effort on behalf of the U.S. to put 7 million Afghan girls in schools.

Rep. **Jerry Lewis** questioned whether or not the U.S. was living in a "dreamworld" in thinking development assistance and aid could "penetrate" the cultures of places like Afghanistan and Pakistan to really change the education systems there. Shah stated that USAID was working with both countries in "real scale," meaning that the agency was working with government ministries to develop standards and reforms and was receiving regular reports on school attendance and quality.

Rep. **Jesse Jackson Jr.** inquired to how cuts to USAID's disaster relief account would affect the agency's ability to help internally displaced persons (IADs) from natural disasters. **Shah replied that the proposed 50% cut in disaster relief funds would be the biggest step backward from humanitarian assistance in decades.** The U.S. would have to drastically scale back humanitarian aid to places like Haiti and Darfur and most likely would not be able to respond to a Japan-like situation at all.

Rep. **Steven Rothman** asked Dr. Shah what USAID's involvement was in the Middle East region, specifically Libya, Tunisia, Egypt, Yemen, and Bahrain. Shah responded that USAID efforts in Libya were primarily humanitarian while efforts in Egypt and Tunisia were focused on democratic transition. He pointed out a recent reprogramming of \$150 million in aid to Egypt. Shah also reiterated to Rothman that USAID was looking to hire additional tech officers for program oversight as a way to reduce agency dependence on private contracting.

Rep. Granger asked for further justification to the FY2012 budget request. Shah responded that without the funding the U.S. would not be able to live up to its international commitments. **Through foreign aid and development funding, the U.S. has been successful in influencing the international community to fund many of the same**

**initiatives.** In one example, the U.S. in earmarking \$3.5 billion for an initiative, was able to secure \$18.5 in additional funding from international donors to complement the U.S. investment. **The U.S. must keep its commitments in order to ask other nations to keep theirs, he said.**

Rep. **Adam Schiff** asked if the USAID has the flexibility to reprogram aid to Tunisia and Egypt. Shah replied that the agency would look at each country individually and work with organizations like IRI, NDI, and others on the issue. Shah also stated that USAID would be working through MEPI and other State Department programs to continue to keep pace with upcoming Egyptian parliamentary elections in September.

Rep. Lowey concluded the hearing with a final question about the USAID's work with Afghan government ministries. Shah responded that USAID's work had two tracks. The first was shared partnership and program design that included no direct funding of the Afghan government. The second track was the Afghan Reconstruction Fund which would be the main vehicle for achieving the 50% direct funding target. The U.S. would also work with international partners to hold the government ministries accountable for the funds. Shah concluded by stating that agency risk assessment teams had developed tools to implement new local capacity building programs as well.