

Development:

USAID Goes Forward with Reforms to Focus on Efficiency and Innovation, Will Increase Local Investments

Remarks by USAID Administrator Shah, March 6, 2012¹

Dr. Rajiv Shah gave the following testimony before the House Subcommittee on State, Foreign Operations, and Related Programs of the Appropriations Committee

Dr. Shah. I am honored to join you to discuss the President's fiscal year 2013 budget request for USAID.

Two years ago, President Obama and Secretary Clinton called for elevating development as a key part of America's national security and foreign policy. Through both the Presidential Policy Directive on Global Development and the Quadrennial Diplomacy and Development Review, they made the case that the work USAID's development experts do around the globe was just as vital to America's global engagement as that of our military and diplomats.

The President's FY 2013 budget request enables USAID to meet the development challenges of our time. It allows us to respond to the dramatic political transformations in the Middle East and North Africa. It helps us focus on our national security priorities in frontline states like Afghanistan, Iraq and Pakistan. And it strengthens economic prosperity, both at home and abroad.

This budget also allows us to transform the way we do development. It helps countries feed, treat and educate their people while strengthening their capacity to own those responsibilities for themselves. It helps our development partners increase

stability and counter violent extremism. It supports those who struggle for self-determination and democracy and empowers women and girls. And it helps channel development assistance in new directions—toward private sector engagement, scientific research and innovative technologies.

I want to highlight how the investments we make in foreign assistance help our country respond to our current challenges, while delivering results that shape a safer and more prosperous future.

Efficiency, Tradeoffs and USAID Forward

While foreign assistance represents less than one percent of our budget, we are committed to improving our efficiency and maximizing the value of every dollar. American households around the country are tightening their belts and making difficult tradeoffs. So must we.

Even as we face new challenges around the world, our budget represents a slight reduction from fiscal year 2012.

We've prioritized, focused and concentrated our investments across every portfolio. In global health, we propose to close out programs in Peru and Mexico as those countries take greater responsibility for the care of their own people.

We've eliminated Feed the Future programs in Kosovo, Serbia and Ukraine and reduced support to Europe, Eurasia, and Central Asia by \$113 million to reflect shifting global priorities and progress over time by some countries toward market-based democracy.

And we're keeping our staffing and overall administrative costs at current levels, even in the midst of a major reform

effort. It is through that effort that I spoke about last year—USAID Forward—that we've been able to deliver more effective and efficient results with our current staffing profile and operating budget.

Our budget prioritizes our USAID Forward suite of reforms.

That funding allows us to invest in innovative scientific research and new technologies. Last year, our support of the AIDS vaccine research through PEPFAR led to the isolation of 17 novel antibodies that may hold the key to fighting the pandemic. And we're working with local scientists at the Kenyan Agricultural Research Institutes to develop new drought-resistant seed varieties of sorghum, millet and beans, as well as a vitamin-A rich orange-fleshed sweet potato.

It helps us conduct evaluations so we know which of our development efforts are effective and which we need to scale back. The American Evaluation Association recently cited our evaluation policy as a model other federal agencies should follow.

It allows us to partner more effectively with faith-based organizations and private companies. In fact, the OECD recognized USAID as the best amongst peers in driving private sector partnerships and investment.

And through our procurement reform efforts, among the most far-reaching and ambitious across the federal government, we are aggressively seeking new ways to work with host country partners instead of through more costly consultants and contractors. This effort will make our investments more sustainable and hasten our exit from countries, while cutting costs.

For instance, in Afghanistan, we invested directly in the country's Ministry of Health instead of third parties. As a result, we were able to save more than \$6 million.

And through our procurement reform efforts, among the most far-reaching and ambitious across the federal government, we are aggressively seeking new ways to work with host country partners instead of through more costly consultants and contractors.

That investment also strengthened the Afghan health ministry, which has expanded access to basic health services from nine percent of the country to 64 percent. Last year, we discovered the true power of those investments; Afghanistan has had the largest gains in life expectancy and largest drops in maternal and child mortality of any country over the last ten years.

In Senegal, we are working with the government—instead of foreign construction firms—to build middle schools at a cost of just \$200,000 each. That helps strengthen the government's ability to educate its people, but it is also significantly more cost effective than enlisting a contractor.

When we do invest money in partner governments, we do so with great care. Our Agency has worked incredibly hard to develop assessments that make sure the money we invest in foreign governments is not lost due to poor financial management or corruption.

With your continued support of this effort, we can expand our investments in local systems while building the level of oversight, accountability and transparency that working with a new and more diverse set of partners requires.

The Working Capital Fund we've requested would give us a critical tool in that effort. The Fund would align USAID's acquisition and assistance to USAID's program funding levels through a fee-for-service model, so that our over-

sight and stewardship is in line with our program and funding responsibilities. The result will be improved procurement planning, more cost effective awards, and better oversight of contracts and grants.

Supporting Strategic Priorities and Strengthening National Security

We will continue to support the growth of democracies around the world, especially in the Middle East and North Africa where the transformative events of the Arab Spring are bringing down autocratic regimes and expanding freedom.

State and USAID have requested \$770 million for a new Middle East and North Africa Incentive Fund to respond to the historical changes taking place across the region. The Fund will incentivize long-term economic, political and trade reforms—key pillars of stability—by supporting governments that demonstrate a commitment to undergo meaningful change and empower their people. State and USAID will continue to play a major role in helping the people of this region determine their own future.

In Iraq, Afghanistan and Pakistan, USAID continues to work closely with interagency partners including the State and Defense departments, to move toward long-term stability, promote economic growth and support democratic reforms. Civilians are now in the lead in Iraq, helping that country emerge as a stable, sovereign, democratic partner. Our economic assistance seeks to expand economic opportunity and improve the quality of life throughout the country, with a particular focus on health, education and private sector development. With time, Iraq's domestic revenue will continue to take the place of our assistance.

In Afghanistan, we've done work to deliver results despite incredibly difficult circumstances. We established our Accountable Assistance for Afghanistan—or A3-initiative to reduce subcontracting layers, tighten financial controls, enhance project oversight and improve partner vetting. And with consistent feedback from Congress we are focusing on foundational investments in economic growth, reconciliation and reintegration and capacity building, as well as to support progress in governance, rule of law, counternarcotics,

agriculture, health and education. We continue to focus on the sustainability of these investments so they ultimately become fiscally viable within the Afghan Government's own budget.

In Pakistan, our relationship is challenging and complex, but it is also critical. Our assistance continues to strengthen democratic institutions and foster stability during a difficult time. Crucial to those efforts are the efforts we make to provide electricity. Over the last two years, we've added as many as 1,000 megawatts to Pakistan's grid, providing power to 7 million households. We've also trained more than 70,000 businesswomen in finance and management and constructed 215 kilometers of new road in South Waziristan, expanding critical access to markets.

The Global Health Initiative

Thanks in large part to the bipartisan support we've had for investments in global health, we're on track to provide life-saving assistance to more people than ever before. Although this year's request of \$7.9 billion for the Global Health Initiative is lower than FY 2012 levels, falling costs, increased investments by partner governments, and efficiencies we've generated by integrating efforts and strengthening health systems will empower us to reach even more people.

That includes PEPFAR, which will provide life-saving drugs to those around the world afflicted with HIV and expand prevention efforts in those countries where the pandemic continues to grow. We can expand access to treatment and lift a death sentence for six million people in total without additional funds.

We're also increasingly providing treatment for pregnant mothers with HIV/AIDS so we can ensure their children are born healthy. And because of breakthrough research released last year, we know that putting people on treatment actually helps prevention efforts—treatment is prevention. All of these efforts are accelerating progress towards President Obama's call for an AIDS-free generation.

Our request also includes \$619 million for the President's Malaria Initiative, an effective way to fight child mortality. In country after country, we've shown that if we can increase the use of cheap bed nets

and anti-malarial treatments, we can cut child death—from any cause, not just malaria—by as much as 30 percent. In Ethiopia, the drop in child mortality has been 50 percent.

Last year, we commissioned an external, independent evaluation of the Presidential Malaria Initiative's performances. That report praised the Initiative's effective leadership for providing "excellent and creative program management."

And we will continue to fund critical efforts in maternal and child health, voluntary family planning, nutrition, tuberculosis and neglected tropical diseases—cost-effective interventions that mean the difference between life and death.

Feed the Future

Last year, the worst drought in 60 years put more than 13.3 million people in the Horn of Africa at risk. Thanks to the humanitarian response led by the United States—and the investments we made in the past to build resilience against crises just like these—millions were spared from the worst effects of the drought.

But as is well known, providing food aid in a time of crisis is seven to 10 times more costly than investing in better seeds, irrigation and fertilizers. If we can improve the productivity of poor farmers in partner countries, we can help them move beyond the need for food aid. And we can prevent the violence and insecurity that so often accompanies food shortages.

That's why we are requesting \$1 billion to continue funding for Feed the Future, President Obama's landmark food security initiative. These investments will help countries develop their own agricultural economies, helping them grow and trade their way out of hunger and poverty, rather than relying on food aid.

The investments we're making are focused on country-owned strategies that can lift smallholder farmers—the majority of whom are women—out of poverty and into the productive economy. All told, the resources we're committing to Feed the Future will help millions of people break out of the ranks of the hungry and impoverished and improve the nutrition of millions of children.

We're also leveraging our dollars at every opportunity, partnering with coun-

tries that are investing in their own agricultural potential and helping companies like Walmart, General Mills and PepsiCo bring poor farmers into their supply chain.

These investments are working.

In Haiti—where we continue to make great strides thanks to strong congressional support—we piloted a program designed to increase rice yields in the areas surrounding Port-au-Prince. Even while using fewer seeds and less water and fertilizer, Haitian farmers saw their yields increase by almost 190 percent. The farmers also cut 10 days off their normal harvest and increased profit per acre. Today that program is being expanded to reach farmers throughout the country.

These results complement our work to cut cholera deaths to below the international standard. And we worked with the Gates Foundation to help nearly 800,000 Haitians gain access to banking services through their mobile phones.

And in Kenya, Feed the Future has helped over 90,000 dairy farmers—more than a third of whom are women—increase their total income by a combined \$14 million last year. This effort is critical, since we know that sustainable agricultural development will only be possible when women and men enjoy the same access to credit, land and new technologies.

Overall, since we began the initiative in 2008, our 20 target countries have increased their total agricultural production by an average of 5.8 percent. That's over eight times higher than the global average increase of 0.7 percent.

Building Resilience

We all know that a changing climate will hit poor countries hardest. Our programs are aimed at building resilience among the poorest of those populations. By investing in adaptation efforts, we can help nations cope with these drastic changes. By investing in clean energy, we can help give countries new, efficient ways to expand and grow their economies. And by investing in sustainable landscapes, we can protect and grow rainforests and landscapes that sequester carbon and stop the spread of deserts and droughts.

That work goes hand in hand with our efforts to expand access to clean water to

people hit hard by drought. In 2010 alone, those efforts helped more than 1.35 million people get access to clean water and 2 million people access to sanitation facilities. Increasingly, we're working with countries to build water infrastructure and with communities to build rain catchments and wells to sustainably provide clean water. We're currently in the process of finalizing a strategy for our water work designed to focus and concentrate the impact of our work in this crucial area.

Strengthening Education

Last year, we made some critical decisions about how we strengthen global education. Since 1995, USAID's top recipients have increased primary school enrollment by 15 percent. But even as record numbers of children enter classrooms, we have seen their quality of learning sharply drop. In some countries, 80 percent of schoolchildren can't read a single word at the end of second grade. That's not education; it's daycare.

The strategy we released last year will make sure that our assistance is focused on concrete, tangible outcomes like literacy. By 2015, we will help improve the reading skills of 100 million children.

Conclusion

Thanks to these smart investments, every American can be proud that their tax dollars go towards fighting hunger and easing suffering from famine and drought, expanding freedom for the oppressed and giving children the chance to live and thrive no matter where they're born.

But we shouldn't lose sight that these investments aren't just from the American people—as USAID's motto says—they're for the American people. By fighting hunger and disease, we fight the despair that can fuel violent extremism and conflict. By investing in growth and prosperity, we create stronger trade partners for our country's exports.

And above all, by extending freedom, opportunity and dignity to people throughout the world, we express our core American values and demonstrate American leadership.

Remarks by USAID Administrator Shah, March 7, 2012²

Dr. Rajiv Shah gave the following remarks at the Council on Foreign Relations in New York City

Dr. Shah. Two years ago, President Obama and Secretary Clinton both called for elevating development in America's foreign policy, alongside diplomacy and defense. They both believe that the development work USAID's staff does around the world was just as vital to our interests as the work of our soldiers and diplomats.

Many people in the development community assumed their call to elevate development was about recognizing the importance of the work USAID and others have done for decades.

But elevating development was not a show of gratitude. It was not a reward. It was a challenge.

It meant that USAID—and the entire community had to respond to the key trends and pivotal opportunities that will shape our future.

Development agencies like ours—whose origins lie in the decade after WWII—had to finally come to terms with the new world they were a part of.

Where before development assistance was seen as essential because capital did not flow to low-income countries, now foreign direct investment to the developing world outpaces aid by nearly ten to one.

Where in the past, countries in South East Asia and big nations like China, India and Brazil were our largest recipients, today they are donors increasingly investing in the developing world to secure their own economic future.

Where once institutions like ours and the World Bank represented nearly the entire ballgame of development expertise, today there an explosion of interest and support from faith groups, entrepreneurs, students and scientists who now are empowered to engage in development work directly.

Value for Money, Innovation, Partnership

To respond to this new context, we've changed our approach to deliver better results in three key ways.

First, we focus on delivering value for money. In two years, we have moved to close 11 missions in countries like Panama and Montenegro that have move past the need for our assistance. We rebuilt and repositioned our global workforce to concentrate on priority countries in Africa. We closed or shrank maternal health work in several countries in order to focus on those that represented the most acute need and the best chance for success. In total, we made tough tradeoffs to cut 165 projects and programs from our budget.

We also prioritized comprehensive evaluation and transparency so we—and others—could see the value of our work. We introduced a state-of-the-art rigorous evaluation policy that the American Evaluation Association called a model for the federal government. We joined the International Aid Transparency Initiative and launched foreignassistance.gov, an easy-to-use dashboard that anyone can use to track the flow of our foreign assistance dollars.

Smart trade-offs and a focus on measurement and transparency may seem straightforward in a well-run business. But pushing these reforms is incredibly hard work in government.

Second, we prioritized innovation. We Grand Challenges for Development, global competitions that encourage new solutions to intractable development problems. We brought in science and engineering fellows, created a geospatial lab in partnership with NASA and are creating new partnerships with universities and research institutes like the National Institutes of Health and National Science Foundation.

Those investments are paying off. We helped researchers in South Africa prove a gel microbicide could be an effect tool in fighting HIV and our support of AIDS vaccine research identified 17 novel antibodies that may hold the key to fighting the pandemic. And the support of new seed varieties is allowing farmers in Haiti and Bangladesh to produce bumper crops of rice.

But above all, we are committed to a new model of partnership with those we serve around the world. Over decades of

staff attrition, we became far too reliant on contractors, especially in conflict zones. We've broken through bureaucratic red tape and challenged conventional wisdom to create new ways to work directly with local entrepreneurs, civil society organizations and partner country governments instead of costlier Western consultants and contractors.

Right now, teams on the ground in Lima, Cairo and Nairobi are working to source these new partnerships. Because of their work, we were able to partner directly with Transparencia—a subcontractor of ours for over nine years—to sponsor an accurate count of Peru's presidential runoff.

We're also investing in local entrepreneurs. Through our Development Innovation Venture fund, we're using the latest energy technology to bring power to millions who live without electricity. We're supporting a business in India that is bringing low-cost solar power to rural villages and a startup in Kenya that is converting waste into biogas.

And we are now able to work far more closely with partner governments.

Building Institutions

A few years ago in Afghanistan, we were faced with a choice. We could continue to rely solely on contractors and NGOs to build clinics and deliver care, or we could start to invest in the Afghan Health Ministry, building up their capacity to provide basic health services.

We decided to invest directly in the Afghan Health Ministry—headed by Dr. Suraya Dalil, a woman who wasn't even allowed to practice medicine under the Taliban's rule.

The investment paid off better than anyone could have hoped. The Health Ministry expanded access to basic services from only nine percent of the country to 64 percent. And just a few months ago, we learned that over the last decade, Afghanistan had the largest increase in life expectancy and largest decreases in maternal and child mortality of any country in the world. The average Afghan woman will now reach the age of 64 and has a 500 percent higher chance of surviving childbirth.

By investing directly in the health min-

istry instead of foreign contractors, we saved more than \$6 million last year alone. As a result, we can plan to draw down our health support in Afghanistan more quickly knowing the country has the capability to successfully manage the transition.

If we invest in local organizations in a responsible and focused way, we can save money and leave behind a legacy long after our dollars are spent.

Many donors simply write big checks to poor countries and call it development. Not only can that practice empower corrupt politicians, it can actually undercut a country's motivation to invest in its own people. A study in the British medical journal *Lancet* showed that African countries receiving that kind of budget support decreased their investments in public health over time.

We've worked hard to target our assistance to governments toward priorities they are also invested in. And over the last few years, we have designed assessments that ensure the money we invest in government institutions isn't lost due to poor financial management or corruption.

We also made some important progress in increasing the transparency of our investments and those of our partners. Last November, I travelled with Secretary Clinton to the Aid Effectiveness forum in Busan, South Korea, where she announced U.S. support for the International Aid Transparency Initiative.

As a result of all these reforms, we're fundamentally changing the way we do business. In 2009, only 13 percent of our assistance was invested in local systems. By 2015, we will drive 30 percent of our funding to local governments, business and NGOs—a rate higher than any other development Agency.

Challenges of Our Time

With this new approach, we are better positioned to address the challenges of our time and move past the false choices that have held us back.

One of the most prominent of these false choices is that between democracy and development.

Development practitioners have too often fallen victim to defining welfare solely in terms of GDP or mortality and

overlooked the power of self-determination.

Opportunity doesn't just come from a vaccine or a percentage point of growth; it also comes from a free and fair society where people can speak freely, protest and choose their representatives. And it comes from checks and balances that can ensure the benefits of growth don't simply accrue to a corrupt elite.

There's a reason protestors in Tunisia were chanting: "Dignity before bread." As protest formed in Tunis, filled Tahrir Square and led a revolution in Libya, we acted quickly to put that understanding into practice.

After President Ben Ali fled Tunis, we helped establish an independent elections commission and draft electoral procedures. We also worked with citizens as they embraced new freedoms and actively participated in the political process for the first time in their history.

In Egypt, our reforms allowed us to quickly drive funds to civil society groups. Together with the State Department, we flew in veterans of revolutions in Eastern Europe and Latin America to talk to Egyptians about building political parties and organizing elections. We were even able to invest and consult with hundreds of new democracy organizations that formed in the wake of the revolution.

And as the revolution gathered momentum in Libya, we focused on supporting the Transitional National Council and independent media outlets and civil society organizations that could help the country transition toward democracy after four decades of dictatorship.

The fate of Tunisia, Egypt, Libya and other countries swept up in this wave of transformation, will ultimately depend on the citizens in those countries. It will often face setbacks as we've clearly witnessed. But we—and the development community broadly—must embrace a role that supports those who struggle for dignity and self-determination, even if we can't deliver democracy tomorrow.

Conflict

Our tight partnerships with the military on the frontlines in places like Afghanistan are also controversial. Today, we have doubled our workforce in

Afghanistan since the start of the war. Those teams are taking daily risks to help the Afghans deliver stable results can accelerate the exit of our troops.

Many worry that work signals a militarization of development—that humanitarian needs will be overtaken by political or military interests. And they claim the money we spend in warzones robs other poor parts of the developing world.

But the truth is, the costs of conflict—developmental, economic, human—can't be ignored.

Countries that faced violence over a period of 20 years had poverty rates 21 percent higher than those that saw peace. And no country currently in conflict is on pace to meet even one of the Millennium Development Goals.

As many stable developing countries transform into prosperous emerging markets, the poorest countries left in the world are often those plagued by war, violence and instability. And as we've painfully witnessed, conflicts fueled by despair can quickly cross borders and threaten us here at home.

That's why the work our teams are doing in Afghanistan—in the face of great risk—is so crucial. Despite frequent setbacks and daily violence, over the last decade we've helped triple access to electricity, enroll 7 million children in school, grow wheat yields by as much as 70 percent and build or rehabilitate more than 1,800 kilometers of road. Those are great results and they are helping our military draw down their presence. But our challenge now is to ensure those results last.

A crucial plank of that effort will be increasing the Afghan government's ability to collect taxes to fund programs that benefit its people. By centralizing the government's collection systems, we helped increase customs revenue by over 400 percent and taxes by 225 percent.

We have no illusions about how difficult the road ahead in Afghanistan will be. But we're working with our partners to ensure the gains we make can last as our troops responsibly exit.

Partnering with the Private Sector

And one of the most prominent false choices we face is that we can do our work without partnering closely with the private sector.

Many in our community still have a bad taste in their mouths from early corporate activity that caused great harm in poor countries. Sweatshops, infant formula, Bhopal—all words that conjure images of corporations taking advantage of bad regulations to exploit the poor.

As a result, when development professionals do work with the private sector, it's typically centered around charity or corporate social responsibility. When companies wanted to make philanthropic investments, donors like USAID would step in to help.

But we have to get past our mistrust and shift our focus.

Today, the best corporations have a much more enlightened understanding of the interests they share with the development community. They see the fortune at the bottom of the pyramid.

And, for good measure, they are subject to far higher standards of transparency and accountability. International charters require them to act responsibly and citizens can use YouTube to increase accountability.

Corporate social responsibility alone can't yield the kind of sustainable economic progress that can raise incomes at scale. Only investments that generate real financial returns for corporations and real income for the poor can do that. We need to help companies find profit opportunities abroad, not photo opportunities.

Seizing Opportunities

By breaking through these false choices, we can seize the unique opportunities that exist to expand the reach of human dignity, prevent conflict and build markets that can create jobs at home. And by taking advantage of those opportunities, we can clearly express America's values to the rest of the world.

Building Resilience

The first opportunity is to build resilience to humanitarian disasters, not just provide relief. Instead of just responding to crisis, we have to focus on helping people persevere through them.

Last year, I travelled to Dadaab, Kenya, site of what has now become the largest refugee camp in the world. In 2011, the worst drought in six decades forced more

than 290,000 Somalis to seek refuge in neighboring countries. The drought caused chaos throughout the Horn of Africa; over 13.3 million people were put at grave risk, in need of emergency assistance.

In southern Somalia, where twenty years of conflict wore down the country's ability to cope and a group openly affiliated with al Qaeda prevented humanitarian aid from getting through, the drought led to an outbreak of famine.

I heard the stories of this tragedy first hand in Dadaab. While there, a young woman told me about the brutal choice she had to make while travelling 100 miles on foot with her children from Somalia to the refugee camps. As they made their way across the dry terrain, her children eventually became too weak to stay on their feet. She carried them, first one, then the other. But when she herself was pushed beyond her limits, she was left with no choice but to leave one of them behind.

No mother should ever have to make that choice... a choice made even more devastating by the fact that it doesn't have to be this way. We can't prevent these catastrophes from occurring but our community can do more to help people withstand them.

Thanks to an early warning system we established years ago, we were able predict the severe drought in the Horn months in advance. We shipped food to storage sites in the region so we could quickly distribute it. We stockpiled vaccines, health supplies and clean water because studying past famines showed us that preventable disease, not hunger, is the leading cause of death amongst children under five.

We also partnered with Swiss Re to pilot cutting edge microinsurance programs that could compensate farmers and herders who faced grave losses. Last October—during the height of the drought—those programs made payments to over 600 cattle herders who had purchased coverage for their animals earlier that year.

But perhaps most crucially, we worked with the Ethiopian government to support a life-saving social safety net. In 2002, droughts left 14 million people in Ethiopia in need of emergency aid. From that

tragedy grew a government-led program heavily supported by the U.S. and other donors, designed to provide regular payments and food directly to vulnerable communities in exchange for work building community projects like roads, wells and schools. Because of that program, 7.5 million people in Ethiopia were able to withstand last year's drought without seeking emergency food or medical.

We are taking lessons about building resilience to heart as we face other weather-related crises this year in the Sahel, Sudan and again in the Horn. But we should do much more to strengthen food security so that drought no longer leads to famines or food crises.

Strengthening Food Security

The same day I visited Dadaab, we went to KARI, the Kenyan Agricultural Research Institute. There I saw improved seed varieties that breeders had been working on for years, designed to improve farmers' yields even in drier and harsher settings.

Despite the astounding growth of slums like Dharavi in Mumbai and Kibera in Nairobi, poverty is by and large a rural phenomenon. The majority of the very poor live in rural settings, not cities. It's especially true in countries like Ethiopia and Tanzania, where three out of every four people work in agriculture.

That's why almost every country that has emerged as a developed economy has done so by increasing the productivity of its farms. Economic growth means agricultural growth in those countries, almost by definition, accounting for as much as 25 percent of GDP.

In fact, just a one percent gain in agricultural GDP can generate a four percent increase in the purchasing power of the poor. As a result, growth tied to gains in agricultural productivity is nearly three times more effective in raising the incomes of the poor than manufacturing or service growth.

To put it simply: if you care about fighting poverty, then you should care about boosting harvests.

That's the thinking behind our major food security initiative, Feed the Future. In 20 countries, we're investing in the specific crops and regions that countries

believe will most rapidly spur economic growth and fight malnutrition.

Last year in Haiti, we saw staggering results when we piloted a program designed to intensify rice planting in the areas surrounding Port-au-Prince. Haitian farmers saw their yields increase by almost 190 percent, while using fewer seeds and less water and fertilizer. The farmers even cut 10 days off their normal. Today that program is being expanded to reach farmers in other development corridors throughout the country.

Overall, since we began the initiative in 2008, our 20 target countries have increased their total agricultural production by an average of 5.8 percent. That's over eight times higher than the global average increase of 0.7 percent

The point of these efforts isn't to reshape the world's farms in America's image. It's to address the growing rates of malnutrition that rob children around the world of their potential. If a child can't get enough nutrients during the first thousand days before their second birthday, they suffer irreversible limits to their potential. They earn 10 percent less over their lifetime and recent MRI images show that their brains do not develop as fully.

To give these children a chance to reach their potential, we have to help their families grow more food. And if we can do that, we can help overcome hunger and malnutrition by the time the world's ninth billion citizen is born in 2040.

Reaping a Demographic Dividend

If you look at some of the fastest growing countries in Latin America and East Asia today, you'll see a pattern in the age of their population. The percentage of those who are able to work—usually described as between 15 and 64—is much larger than the percentage of the very young or very old.

That means those nations have greater economic potential and can concentrate on improving, rather than expanding services. Instead of worrying about building more schools and hospitals, they can focus on building better ones.

That phenomenon—known as the demographic dividend—was rooted in decisions those countries made in the '60s

and '70s to educate girls, expand access to voluntary family planning and improve child survival. Those efforts led to a fall in birthrates, leaving behind demographic boom of working-age adults.

Take Thailand: Fifty years ago, the average Thai citizen made just over \$100 a year and the average family had over six children. But with support from USAID, the country expanded access to family planning, fought malaria—the country's leading cause of child death—and made educating girls a priority.

Birthrates fell quickly. The average family now has fewer than two children, supporting a demographic dividend that made Thailand the fastest growing country between 1985 and 1996.

Several countries in Africa are poised to follow in Thailand's footsteps. Birth rates are beginning to fall in big cities like Kinshasa and Addis Ababa but families of five or six children are still the norm in most of Africa, making it the only continent that will double in population by 2050. Populations in Liberia and Niger are growing even faster, set to double in just 20 years.

Whether those demographics yield a dividend or strain an economy beyond its capacity will depend on choices made today to increase child survival.

It may sound counterintuitive that family sizes decrease when children live longer, but in country after country, we've seen families choose to have fewer children when they know their children will have a chance at a healthy life.

The good news is we have made remarkable progress when it comes to helping children survive.

New vaccines that protect against pneumonia and diarrhea are being shipped out today in large part because of the investment the Obama Administration and other donors made to the GAVI Alliance last year. That marks the first time ever that a vaccine is reaching the developing world at the same time our children receive it here in the U.S.

Improved, long lasting bed nets are driving not just malaria infections down, but child mortality from all causes. In country after country, we've seen the President's Malaria Initiative produce drops in child mortality by as much as 30 percent

because of the cascade of benefits that keeping kids out of hospitals can provide.

Thanks to those—and other technical breakthroughs like rapid TB diagnostics and cheap tools to fight birth asphyxia—we are on track to end preventable child deaths in a generation, bringing child deaths down from 8 million a year to 1.5 million.

Development is full of problems we have limited ways to solve. Helping a child reach their fifth birthday is not one of them. It will require us to continue to create low cost solutions and expand their reach by empowering community health workers. But we can do those things if we maintain our commitment and help countries reap a demographic dividend in the process.

For the American People

We know these efforts can work. We have seen this in individual sectors and we've seen it in aggregate.

Just this past Monday, the World Bank showed that even in the midst of the worst economic crisis since the 1930s and the biggest food-price increase since the 1970s, global poverty fell, in every part of the world. Most of that progress has been concentrated against the poorest of the poor—those that make less than \$1.25 a day.

And though the estimates for 2010 are only partial, they show that global poverty was half its level in 1990. The world has reached its first Millennium Development Goal.

And when it works, it shows our assistance is not just “from the American people, it's for the American people.”

By strengthening private sector activity in developing countries, we have the potential to enrich not just our partners but ourselves through increased exports and new markets for trade.

By working on the frontlines in places like Afghanistan, we deliver results that help suppress extremism and speed the exit of our troops.

And by working to promote democracy in the Arab world and elsewhere, we are emphasizing our core American values. That, as the President said, “America values the dignity of the street vendor in Tunisia more than the raw power of the

dictator.”

Those values are what drive faith-based organizations to raise money to buy bed nets and fight human trafficking. They are what drive people to join or military, to fight for freedom and protect their families from extremism and terror. They are what drive college students to oversubscribe courses in development and global health. And they are what drive us—the staff of USAID—to fulfill an incredible mission.

Thank you.

Remarks by Secretary of the Treasury Geithner March 27, 2012³

Secretary Timothy Geithner gave the following remarks in Washington, DC

Secretary Geithner. Thank you for the opportunity to discuss the President’s Fiscal Year 2013 Budget Request for the Department of the Treasury’s International Programs.

First, I would like to thank you and your colleagues for bipartisan support for Treasury’s programs in FY 2012. By working together to support the general capital increases for the multilateral development banks (the “MDBs”), you have helped to strengthen America’s leadership. At a time when the global economy is undergoing fundamental changes, we are now in a stronger position to respond to an ever-changing mix of risks and opportunities. At a time when the world could have questioned our staying power, we have instead proved that America has the resolve and resources to be a force for good.

Treasury’s FY 2013 budget request follows on the landmark actions taken by Congress last year. Following through on commitments this year and in subsequent years will be necessary to preserve our influence at these institutions. Our request of \$2.9 billion mostly comprises previous commitments, but also makes difficult choices in this constrained fiscal environment.

Let me elaborate on how our renewed leadership in the multilateral institutions

benefits America. First, it enables us to mobilize the MDBs to secure our economic and national security interests. Second, it enables us to leverage contributions from other countries for greater impact, demonstrating that when America leads, other countries are induced to do their fair share. Finally, it enables us to promote reforms to make international institutions more effective.

Securing our economic and national security interests

Over the last 20 years, MDB assistance has helped nurture emerging markets that have become key export markets for the United States. In countries like South Korea and India, years of MDB engagement helped lay the groundwork for the sustainable and inclusive growth that has driven rapid increases in U.S. exports. In both countries, the World Bank and the Asian Development Bank provided financing and policy assistance to reduce trade barriers, improve private sector development, increase educational access, build infrastructure, and promote open markets. In 2011 alone, the economies of South Korea and India accounted for \$65 billion in U.S. exports, up from \$25 billion in 2001, an increase of roughly 150 percent. The foundation for this growth was laid years ago through the targeted investments by the MDBs.

Similarly, the investments we make today in these multilateral institutions will help to create new export markets. A significant share of the World Bank’s non-concessional lending through the International Bank for Reconstruction and Development (IBRD) is targeted at countries such as Mexico, South Africa, Turkey, and Indonesia. These investments are helping to improve the rule of law, reduce red tape, bolster private sector growth, strengthen legal systems, and combat corruption. Transportation projects support construction of thousands of miles of roads, expansion of ports, and development of inland waterways. Projects across these sectors help to enhance trade and create future consumers of American goods.

While open markets and broad economic growth are their primary objectives, the MDBs also directly support U.S. business

growth through procurement contracts. For example, a U.S. firm was recently awarded a \$397 million civil works contract to complete the final section of the Afghan ring road. This project, which is being financed by the Asian Development Fund, will not only result in U.S. engineering and project management jobs but will also support key national security objectives in Afghanistan.

Through our investments in the MDBs, and through Treasury’s group of civilian advisors in finance ministries and central banks around the world, our international programs directly bolster U.S. national security objectives every day.

Nowhere is this more apparent than in the Middle East and North Africa, where international institutions are proving vital partners for building a peaceful and prosperous region. As Libya achieved victory over tyranny, international financial institutions provided critical support for institution building. Both the International Monetary Fund and the World Bank have been leading efforts to assist the interim authorities in achieving greater transparency and accountability of their revenues and expenditures. In Tunisia, as its economy faces near term pressures, the World Bank and the African Development Bank (AfDB) have provided a combined \$1 billion to support reforms such as improving access to information held by the government, strengthening the financial sector through better regulation, and removing restrictions that have blocked the establishment of civil society organizations.

Similarly, our new request for bilateral debt relief in FY2013, under the Heavily Indebted Poor Country (HIPC) initiative, could, if certain conditions are met, promote stability by fulfilling our commitment to support the Comprehensive Peace Agreement (CPA) between South Sudan and Sudan. The potential for international debt relief was a key component that allowed for the peaceful independence of South Sudan and it is an incentive for both parties to resolve all outstanding CPA issues. However, we remain mindful that before any assistance can be delivered to Sudan by the U.S., Sudan must meet the terms of the HIPC initiative and a number of other pre-conditions, including

significant progress on the ground.

Leveraging our Leadership for Greater Impact

At a time of domestic resource constraints, the multilateral institutions are highly effective in multiplying the impact of our dollars. With just a 5 percent share of Function 150, Treasury's international funding will make possible, among other things, nearly \$80 billion in MDB commitments in FY 2013 alone. This lending will reach urban slums, rural villages, and small cities across the globe. When it comes to global challenges such as poverty, food security, and the environment, we have demonstrated how the United States can leverage its leadership for collective action.

On poverty reduction, U.S. leadership in the International Development Association (IDA) negotiations helped unlock resources from other countries. Specifically, a 10 percent increase in the total U.S. commitment from the previous replenishment leveraged a 19 percent increase from other donors. Other countries will contribute a total of \$45 billion to IDA16, up from \$38 billion in IDA15. Overall, this funding will help to immunize 200 million children, extend health services to over 30 million people, give access to improved water sources to 80 million people, help build 80,000 kilometers of roads, and train and recruit over two million teachers.

On food security, the United States led the G-20 countries to establish the Global Agriculture and Food Security Program (GAFSP) to increase long-term public and private investment in agriculture in the poorest countries. In a short time frame, this fund has mobilized pledges and contributions totaling nearly \$1 billion from six governments as well as the Bill and Melinda Gates Foundation. It is a compelling example of how the United States can internationalize the burden of dealing with pressing global problems. With \$302 million in U.S. contributions to date, we have directly leveraged \$579 million from others. The fund has awarded nearly half a billion dollars in grants to twelve countries, and in many cases these countries are putting their own resources into use alongside grants from GAFSP. The fund is helping to connect small farmers to mar-

kets, building rural infrastructure, and increasing agricultural productivity. According to GAFSP estimates, these investments are targeted to increase the incomes and food security of 7.5 million poor farmers.

On environmental challenges, U.S. investments in the Clean Technology Fund and other environmental trust funds help reduce the threats caused by changing environmental conditions by combating their causes; help countries develop clean energy infrastructure; and better prepare countries to respond to the impacts of environmental challenges such as deforestation, changing weather patterns, and biodiversity loss.

These investments play an important economic role—investments in energy infrastructure in developing countries are expected to total more than \$20 trillion over the next 25 years, including a \$10 trillion global market for clean energy. Treasury's programs help create open, fair, and functioning markets in technologies such as wind, solar, and geothermal energy in which American businesses can compete and win. Our participation in these multilateral programs magnifies our "bang for the buck" in two important ways. First, our contributions bring in other donors—between \$4 and \$5 for every \$1 the U.S. contributes. Second, these programs help to catalyze additional investments by the MDBs, government, and private sector investors, making the U.S. contribution go even further. For example, the Clean Technology Fund (CTF) in the past year approved clean energy investment plans that blend \$4.3 billion of fund money with other financing to mobilize total planned investments of close to \$40 billion.

Reforming the Multilateral Development Banks

Your support for the general capital increases (GCIs) provided us with an important opportunity to push for reform. We are best able to advance these reforms when we maintain our shareholding at these institutions. The FY 2013 budget includes a funding request for the Selective Capital Increase (SCI) at the World Bank, which Congress authorized subscription to last year. U.S. participation in

the SCI will maintain our shareholding at the World Bank above the critical 15 percent threshold, preserving our veto over amendments to the Bank's Articles of Agreement. The Articles of Agreement govern important issues like the role of the World Bank President, membership, and the role of the Board of Executive Directors.

As I testified last year, we have secured a series of important reforms in the negotiation of our new commitments to the MDBs. Through close consultations with Congress, these reforms were designed to improve the financial effectiveness of these institutions; promote greater transparency and accountability; and raise standards to enhance the impact of our investments.

To ensure the effective use of taxpayer dollars, we advocated for the strengthening of financial policies at each MDB. Specifically, we improved internal decision making on matters related to budgeting, loan pricing, and net income transfers that would support long-term sustainability.

We have pushed the MDBs to the cutting edge of measuring results and impact. For example, at the World Bank we secured the creation of a new results reporting framework that uses indicators and standardized data to link project-level results with sector, country and institutional goals. This new framework will allow scarce resources to be allocated to areas where they can achieve results.

Finally, recognizing that transparency and accountability are essential to multilateral institutions, we have worked hard to move the MDBs to the forefront of these areas. As a part of our reform agenda, we sought and achieved a major overhaul of disclosure policies and the strengthening of internal audit and evaluation functions. At the AfDB, the GCI included an agreement to revise the Bank's disclosure policy, in consultation with external stakeholders, to align with international best practices. This level of commitment to transparency is a necessary component of accountability, helping to ensure that key information is readily available to all stakeholders.

Meeting our full commitments to these institutions is a necessary component of

continued reform. Our growing arrears, which now total more than \$1.2 billion, not only disrupt the MDBs' financial operations and planning, but they risk diminishing our ability to effectively advocate for the policies we believe are critical. Addressing these arrears begins by preventing the future accumulation of arrears, and we are committed to working with you to achieve an outcome in this year's budget that will make this possible.

Conclusion

The partnership between the U.S. and multilateral development banks has endured across years and across parties because these institutions have proven their worth. They were indispensable in stabilizing the global economy during the recent financial crisis. They are vital for addressing the challenges of the moment and will be integral for responding to changes that lie beyond the horizon. These institutions provide unparalleled returns. By working together to support the multilateral institutions, we have made a down-payment on America's leadership. Let us continue to follow through on our commitments to promote a more prosperous and stable world.

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1. USAID Press Release, March 6, 2012.
 2. USAID Press Release, March 7, 2012.
 3. Dept. of the Treasury Press Release, March 27, 2012.

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