

**Senate Foreign Relations Committee
Nomination Hearing for Dr. Rajiv Shah
USAID Administrator
December 1, 2009**

Senators in attendance:

(D) – John Kerry (MA), Russ Feingold (WI), Bob Menendez (NJ), Ben Cardin (MD), Bob Casey (PA), Jim Webb (VA), Jeanne Shaheen (NH), Ted Kaufman (DE)

(R) – Dick Lugar (IN), Johnny Isakson (GA)

Chairman John Kerry (D-MA) opening statement highlights:

This, I think, is the last major foreign-policy agency to have its leadership named, but no one should somehow believe that this is, by any sense of the imagination, the last priority. It's one of the highest priorities with respect to the mission of both poverty reduction and sustainable development.

It's near the top of the priorities we face.

And with the president making an important speech tonight regarding the commitment of our armed forces and the stakes for America over the course of the next years in South Asia, this post is even more important and will be critical to the outcome of the policy that the president lays out tonight.

It's fair to say that the next USAID administrator will confront a number of choices that are going to have profound implications for USAID's institutional future. And this is part of a larger struggle over the shape and direction of our country's global development efforts.

We all understand, as do all the members of this committee, that our aid program is in need of redefinition, of a course correction. It is a vital, vital component of American foreign policy, even more important in today's world, in this non-bipolar cold-war world that we lived with for the last 60 years. It's a very different world. And so we have undertaken here in the Congress some initiatives already with respect to foreign-aid reform. Just last month, the committee reported out S. 1524, the Foreign Assistance Revitalization and Accountability Act. We don't pretend that this is the all-encompassing, be-all-end-all of reform. But it does embrace essential ingredients that get the reform process moving and going in the right direction. It's intended as a first step in the larger effort. And we are going to continue to advocate for the broader structural and organizational reforms necessary to create a blueprint for 21st century foreign assistance and development.

This is a moment of significant challenge and change, fluidity, at USAID. But it's also a moment when people across government recognize that empowering our development agencies and giving them the resources they need is absolutely essential to achieving our larger foreign-policy goals.

Over the years, Washington has shaped today's agency through a patchwork of mandates, directives and initiatives. It hasn't always resulted in a consistent or coherent vision for USAID. By one count, there are now over 140 goals and priorities for U.S. foreign assistance. Now, the agency needs to decisively and definitively define its goals and its roles and responsibilities in essential missions. But that requires making some difficult choices.

First, we have to decide whether USAID is going to remain the principal U.S. development agency and whether the administration is committed to streamlining the proliferation of departments and agencies handling foreign-assistance programs today.

Second, we need to strike the proper balance between the State Department and USAID, including how to best reconcile State's short-term diplomatic priorities with USAID's longer-term development goals.

Third, we have to ask tough questions about whether USAID's growing national-security mission is compatible with its development aims. For example, we must consider whether USAID can participate effectively in counterinsurgency and stabilization operations while maintaining a credible humanitarian-assistance presence, or whether these functions demand a different and perhaps separate approach altogether.

So Dr. Shah, you are being given an opportunity to enact a bold and far-reaching reform agenda. It's encouraging that you come from an institutional culture that actually rewards innovation and risk-taking, and that's precisely what this moment requires.

Rarely have so many key players been so willing to tackle tough foreign-aid and development issues. When I say so many key players, I'm talking about all the departments and players involved -- State Department, Defense Department, humanitarian-assistance agencies, and the White House itself and the Congress.

Today there is a bipartisan commitment to development and to finally delivering the resources, the funding and the staffing necessary to have an impact on the ground. I want to say that acting Director Alonzo Fulgham and others have done a commendable job of holding down the fort. But now begins an opportunity to fundamentally reshape USAID and our broader development agenda.

Ranking Member Dick Lugar (R-IN) statement highlights:

Even as the important role of foreign assistance has come into sharper focus, policy makers have under-resourced USAID to such an extent that other departments and agencies have stepped in to fill the gap. This has contributed to a further stove-piping of aid programs. Roughly two dozen departments and agencies have taken over some aspects of foreign assistance. We do not have adequate knowledge of whether various programs are complementary or working at cross-purposes. Further, President Obama has declared his intention to seek a doubling of foreign assistance over time. If the Administration pursues this goal, Congress must have confidence that these funds will be used efficiently.

During the last two decades, decision-makers have not made it easy for USAID to perform its vital function. Reorganization initiatives resulted in the agency's loss of evaluation, budget, and policy

capacity. There is a broad consensus among development experts that the loss of these functions at USAID is inhibiting the success of our development programs. Our development efforts will never be as effective as they should be if the agency that houses most of our development expertise is cut out of relevant policy, evaluation, and budgetary decisions.

The foreign assistance reform bill, S. 1524, which was passed by our Committee in November, should be seen as an essential input into this process. It is the product of well over a year of research and analysis by Senators and their staffs. It has attracted the strong support of most development groups, led by the Modernizing Foreign Assistance Network.

USAID must be a full participant in policy making and budgeting. It also must be able to independently evaluate the effectiveness of foreign assistance programs and provide coordination between agencies. A strong aid agency serving under the policy guidance of the Secretary, as envisioned in our bill, will best empower the Secretary to accomplish U.S. development goals.

Senator Patty Murray (D-WA) introduces Dr. Shah:

USAID plays a key role in the implementation of U.S. foreign policy. By helping countries around the globe escape from poverty and develop strong civic institutions, USAID advances key national security goals at the same time as it demonstrates America's fundamental values to our international neighbors.

As his track record demonstrates, Raj is a strong, creative, and results-driven leader. His nomination sends a clear signal that development and humanitarian aid are core components of U.S. foreign policy.

Dr. Shah testimony highlights:

And so it is with humility that I seek confirmation to lead the agency established by President Kennedy in 1961. The world then, as it is now, was in the midst of significant geopolitical change, with new obligations, opportunities and challenges that required fresh thinking and action. Foreign assistance was, in President Kennedy's words, an "unprecedented response to world challenges." And USAID was the organization established to lead that response. Its mission – to advance economic and social progress around the world – is a mission I hope to carry forward if confirmed.

I learned at the Gates Foundation what many on this committee and at USAID already know – *success is possible*. But this requires smart, targeted investments to generate real, sustainable results – so long as we build real capacity and meaningful partnerships, couple long-term strategic planning with cost-effective execution and, most importantly, demand from our partners and from ourselves accountability for results.

Since my nomination, I have spoken with many smart and experienced people about the challenges USAID faces. I have appreciated the counsel of the members of this Committee as well as your staffs, and I hope it is the beginning of a relationship marked by open communication and consultation. The clear message I have taken away from all of these meetings is this: USAID must become a more agile, focused, flexible agency that is accountable to the Congress and the American people.

President Obama has called for America to re-engage around the globe to address these challenges and recast American influence and ideals around the world. Secretary Gates has joined Secretary Clinton in highlighting that development must stand with diplomacy and defense to constitute the three pillars of our national foreign policy. There is broad consensus that development – both the investment of resources to solve problems and the policy and technical cooperation that allows for the drawing down of that investment – is more critical today than ever.

It is an honor to appear before this Committee as the nominee for USAID Administrator at a time when there is such broad, bipartisan recognition of both the importance of development to our foreign policy *and* the critical need to improve the way we work to help achieve it. I would suggest that not since the founding of USAID in 1961 and the passage of the Foreign Assistance Act have we had such an opportunity to fundamentally re-imagine our nation's development strategy and strengthen the organization that leads it.

If confirmed, I pledge to work with this committee and consult with the broader development community and those it seeks to impact, to help craft and implement a development strategy that delivers on the President's and the Secretary's vision of USAID as the world's premier development agency.

Restoring USAID's effectiveness will be my top priority if confirmed. A strong development agency is critical to animating and executing the President's bold development agenda. And empowering the dedicated men and women who have devoted their lives and careers to this agency and its mission must be part of strengthening the Agency.

USAID professionals need to have the capacity to design long-term strategies that demonstrate how foreign assistance can achieve transformational results. Policy planning that assesses opportunities and determines priorities is a critical tool for a development agency. Equally important, but often missing, is program evaluation, including monitoring implementation, assessing impact, and applying lessons learned.

We also need to evaluate the efficiency of the Agency's delivery model. Every agency must find the right balance between internal capacity and external partnerships. But currently too many of our precious development dollars never leave Washington as a shrinking USAID has had to increasingly rely on contractors to manage programs. While some of these contracting relationships have proven to be effective and should be continued, we need to ensure that all of our programs are not only delivering measurable results, but are also being implemented in a way that builds long-term, local capacity.

Q&A

SEN. KERRY: Thank you very much, Doctor. Let me just dig right in if I can.

You say in your testimony – at least in the one submitted – that not since the founding of USAID in 1961 and the passage of the Foreign Assistance Act have we had such an opportunity to fundamentally re-imagine our nation's development strategy and strengthen the organization that leads it.

Can you elaborate on that -- give us a greater sense of where you see that vision going, where you want to take it, and what changes are specifically necessary in the organization to achieve that?

MR. SHAH: Yes. Thank you for that question, and I agree with that sentiment which you also articulated in your opening statement.

I believe quite strongly -- and I'm very enthusiastic about the fact that there are -- there's so much interest in global development.

We have major priorities in the national security area and major initiatives to help connect the 2 billion people around the world that essentially don't benefit from a globally interconnected and modern progressing world to that world.

And in both of those areas, this president and our secretary are deeply committed to elevating development and making sure it stands with diplomacy and defense, making sure that the development voice is heard in every major decision with respect to our foreign policy, and making sure that we do increase our investments in this area in a way that's accountable and generating results.

In my estimation, there are a few core principles that I would bring to this role to help improve the effectiveness of our work. And they've been articulated by the president at the L'Aquila Summit when he talked through the -- when he introduced the food security initiative.

In order to help AID professionals live up to those principles of working with countries more deeply, of supporting comprehensive country-owned plans, of coordinating better about other donors, and of demanding outcomes and results, we need to give our mission directors and our staff in countries the flexibility and the tools to think long term. We need to reinvest in the planning and evaluation capacities at AID so that AID can offer intellectual leadership in designing programs and evaluating strategies and in ensuring that we're making the most cost-effective investments at generating outcomes. And we need to look at our contracting system and how we work with our external implementing partners to benefit from the areas where we do that well with great efficiency but improve on areas where we can save money and achieve outcomes more efficiently by taking a different course than our current contracting systems allow.

So in all of those areas, I believe USAID has a lot of progress it can make, and I'll look guard to working on that.

SEN. KERRY: You talked about having its voice heard and being at the table. What kinds of commitment do you have from the president and the secretary of State with respect to that?

MR. SHAH: Well, the secretary of State has been quite clear on this point that I will report directly to her. We have the opportunity, and I intend to use it and I look forward to contributing to the major development challenges of our time. I intend to help drive decision making against development objectives whether it relates to Afghanistan and Pakistan and a range of other national security priorities or whether it's in a different context in our global health or food security initiatives.

In all of those cases, I believe the USAID administrator has the opportunity and the responsibility to offer real leadership across the interagency processes, at the White House, and with the secretary of State to be very effective, and I intend to do that.

SEN. KERRY: What would you say to the committee about the encroachment that took place over the course of the last eight years by the Defense Department over development authority and resources, most importantly?

MR. SHAH: Well, I would start by noting that I believe there are examples where civilian and military cooperation can work effectively against development objectives. But I'll come back to a phrase that I used in my testimony, which is that I believe development is a discipline, and knowing how to make development investments in an efficient and effective way, knowing how to put in place monitoring and evaluation systems from the very beginning of program implementation and, in fact, in program design, knowing how to search for and support local partners and build local capacity in a way that's sustainable are all things that development professionals have learned over decades of efforts and decades of successes and decades of failures.

And I believe that knowledge and that expertise need to be leading our efforts to invest in development priorities around the world in a broad range of contexts. So with that as a principle, I would hope that, in the context where we can work with the Defense Department, that we're offering that leadership as AID and doing that in a way that helps define strategies, set goals, put in place monitoring and evaluation systems...

SEN. KERRY: Does that mean you need to pull a number of agencies and independent efforts under one roof?

MR. SHAH: I think -- we're currently using the QDDR and the PSD process to help define and make decisions with respect to that.

So I don't want to prejudge the structural outcomes or recommendations of those processes.

But I do believe that's a principle, and going in, I'll have the opportunity to co-chair both of those efforts. I believe that development has a lot to offer as a discipline and that we should build on the tools and the technologies of that discipline to do that effectively.

SEN. KERRY: What about the struggle between sort of the independence of the agency and its identity and capacity to move on its own versus the sort of, you know, being swallowed up within the bureaucracy of the State Department itself and not having that identity? Where do you come down on that?

MR. SHAH: I appreciate that point, and I think the specific processes that are under review in the QDDR and with the PSD will be, you know, evaluated through that process, and so we hope to have ideas and specific recommendations on that very soon.

But I will say, again, from a principles perspective, I think the secretary and the president have made very clear that the vision here is for USAID to be the premier development agency around the world. In order to achieve that goal, almost without question, AID will have to have the capacity to plan, think, invest, be financially accountable for a budget, and be responsible for reporting back to Congress and the American taxpayers in an effective way, and I intend to rebuild those capacities in an effective and efficient manner.

SEN. KERRY: Well, let me just say, as I turn it over to Senator Lugar, that -- a couple of things.

Number one, you cited in your testimony a number of initiatives, accomplishments by AID, and, in fact, there are a myriad -- just a huge number of accomplishments. And, frankly, nobody knows about them. Not only in our country, do Americans not know what they're getting for this, but in other countries where we're doing it, people don't know often. That's been my experience as I've traveled around.

And that just doesn't make sense, and I think that, you know, if it's an arm of our foreign policy and it's supposed to help have an influence on values and on people's willingness to take a stake, we have to do a better job, and there ought to be something within the budget specifically delineated towards, frankly, tooting the horn a little bit more effectively and telling people what we're doing and linking those efforts to larger values and goals. That's number one.

Number two, I think that no one should underestimate the importance -- and it is underestimated. It's underestimated every day in every conversation in this country because the parochial politics are so much easier to play, but the linkage to our national security of the few dollars we spend of our gross domestic product in this effort of development and humanitarian assistance and so forth -- the return on investment where we have done it significantly has proven itself time and again to be countless times that investment, and you can go back to the Marshall plan or to, you know, the rebuilding of Japan or other efforts and other individual efforts in individual countries -- you know, the peace we have kept in Kosovo, for instance, over the course of the last 10 years -- and there are many examples like that.

So I hope you will boldly make this case, and we need to work with you to strengthen the base, the foundation, of understanding in America of what we get for this very small investment.

MR. SHAH: Well, thank you, Senator.

On both of those points, in terms of transparency, I agree completely with your point about the need to describe both the learnings and the successes and, in some cases, the failures. When I was at the Bill and Melinda Gates Foundation, I really pioneered efforts to put grants on our Web site to transparently discuss in real English what we were learning from successes and failures and use that information to feed back into our program management to improve the efficacy and effectiveness of those efforts, and I'd like to bring that approach and that culture to AID.

I'd also appreciate your use of the term "return on investment." I think it's important to be quantitative and specific in making sure that these taxpayer dollars are used well, and there are case after case where, for a very low cost, we can buy a year of life through immunization or through some other

initiative, and when we actually communicate that effectively, people do not offer more support for this body of work.

SEN. KERRY: Well, I thank you for that.

I've called attention to it before, but Greg Mortenson is going to be – the author of "Three Cups of Tea" is going to be here in Washington Thursday and Friday, and we're arranging with him at some point to come before the committee, but, you know, he has built hundreds of schools in Pakistan and Afghanistan at a quarter of the price of AID or other efforts. He gets locals to invest. They do the work. They care about it. Those schools don't get burned. The kids do not get prevented from going there because the community is invested, and, as I say, it's done at about 25 percent of the cost of some of the things that we do through USAID. So I think there's a clear remodeling that is staring us in the face.

Senator Lugar?

SEN. LUGAR: Secretary Shah, let me underscore again some of the comments that I tried to make in the opening statement.

In my judgment, the USAID has undergone a marked decline since the 1990s with staffing expertise depleted, reputation as a leader in policy evaluation and development knowledge fading, and many AID programs now managed by other government agencies often having little or formal role in foreign policy.

Since 2001, policymakers have again recognized the value of development in support of United States security objectives. AID programs have been increased markedly, and USAID is now in the process of rebuilding. But the administration has stated that some decisions on the future of USAID should await the conclusion of the QDDR situation that you have mentioned. The process is not scheduled for completion now until the fall of 2010. This would be halfway through President Obama's administration.

Obviously, there are steps in the meantime to strengthen USAID capacity effectively and efficiently, and I'm going to ask you to at least give some indication of steps you believe you can take now and in the next few weeks, not October of 2010 or in the hereafter, because the rescue mission, I think, is imperative.

For economy of time, let me mention areas in which you might take steps and which we would like to see the steps.

In global food security, the president and Secretary Clinton have mentioned this is a top priority. But, in the absence of USAID administrator, the State Department's proceeded with developing a whole-of-government strategy which is interesting and which gets again to the point the chairman is making about strategies, people, organizations, stovepipes everywhere.

Secondly, we are still, obviously, in reconstruction and stabilization all over the world. Secretary Gates, interestingly enough, has often come to the defense of the State Department and says we really ought

to have a strong department, we ought to have a strong development situation, and I would support that. Even we might s some defense money back to State after this long shift.

But all of these efforts have only been partially recognized and very difficult to evaluate, and this is -- my third question is a part of this. How can you reestablish the evaluation procedure? This is not just empty bureaucratic jabbering. The fact is if you have all these stovepipes, you're going to have 140 different organizations running in different directions, USAID diminishing, even as we speak, and all of it heading -- how do you get it back to a point where you can evaluate does the reconstruction work, given even all of these different agencies?

In fact, is global security progressing, and how would you know if you do not really have control over the data, quite apart from how could we be informed if we ever had an oversight hearing, and ask you really does this make sense in reconstruction, in global security, in the feeding of people? Can you give us at least some assurance that your confirmation will lead really to taking hold of this, even granted QDDR goes on and on and you'll be chairing the committee and -- months and months and months from now, even after all the harping we have done? Somebody may do something.

But, in the meanwhile, what can you do?

MR. SHAH: Thank you, Senator, for that question.

I believe quite a lot can happen immediately that would be very consistent with my conversations with the White House and the secretary about what we need to do to rebuild AID as a premier development agency. The policy planning function, the evaluation function, the serious financial accountability, transparency, and reporting, and intense and analytic strategic planning are all functions and capacities that can be built here in Washington and in missions and rebuilt in a very significant way just against that vision.

You asked specifically about the global food security imitative and global health initiative. I think those initiatives with a whole-of-government approach effectively can bring expertise from across the government to bear and use that effectively, but I've been part of this process and it's very clear to me that a whole-of-government approach still requires leadership and it still requires depth of strategic planning and real implementation leadership.

I've built partnerships like this in immunization and agriculture and a variety of other fields, and I know the value of that leadership, of setting constant milestones, of knowing what outcomes you're going for, putting in place a results system, and of starting to get moving with implementation. So, in both of those areas, I expect to offer leadership quickly in order to help make that happen.

I think you also raised the question about evaluation, and I'm glad that you did. I think building excellence and evaluation and impact assessment and knowing if we're getting results for the use of U.S. taxpayer dollars is an absolute top priority. I have a few thoughts on that based on my experiences investing in surveys around the world in different fields and putting in place different types of evaluation structures.

The first is it has to -- evaluation has to be integrated into program design.

Putting, doing evaluation in a way that's disconnected from program implementation has certain benefits, but also some disadvantages, and I think the last ten years of innovation in this field have shown that quite a lot is possible, both methodologically and from a learning perspective, if we start early with thinking about evaluation, as early as program design.

A second is that evaluation should feed out report and results very quickly, so we don't need to wait many years to get a definitive answer on whether something has worked or not. We're interested in outcomes in six months, in 12 months so that managers can make course corrections in the implementation of programs.

A third is that in this field -- and you, of course, are aware of this -- in this field, the collection of data is often very costly.

So if there are platforms that we can invest in that will essentially allow for data to be broadly available so that every program that's out there doesn't have to invest in its own data collection system that can bring the cost down and improve the culture and the focus on results and accountability.

And then, finally, I think there should be a priority of reporting out those results in plain, understandable English. I just think this is a field, development is a discipline, and every discipline has its language. I come from medicine, so I'm well aware of that. But the value of being able to discuss outcomes in a clear and concise way so that anyone who is interested can learn about what happened, why did something work and why didn't it work, instills a culture that I think can be very helpful over time and with respect to the accountability that you're highlighting.

SEN. LUGAR: I thank you very much for that comprehensive and thoughtful answer, and we look forward to supporting those efforts.

They're important for the agency, important for our country. Thank you.

MR. SHAH: Thank you.

SEN. KERRY: Thank you, Senator Lugar.

Senator Feingold.

SEN. FEINGOLD: Thank you very much, Mr. Chairman. I'm glad to also be here today so that we can move forward with this nomination, which has been a long time coming. And Dr. Shah, as you and I discussed earlier and as I know the chairman mentioned earlier, it can be challenging to explain to citizens of this country why, during tough economic times, and given the many urgent domestic needs, the U.S. should continue to devote significant resources to our foreign assistance programs. Indeed, with a record high budget deficit, we need to find ways to cut waste and do things more efficiently.

But as you and I have seen firsthand, U.S. development assistance not only helps to improve the lives of people around the world, it also can generate tremendous goodwill for the United States, it fosters

mutual understanding and it helps advance our own national security. And I hear this regularly from Wisconsinites who have had the privilege of traveling abroad to participate in development work.

So that leads to my first question. I think it's important, as you and I discussed, to engage Americans in our international development effort so they can see firsthand the important work that the U.S. is doing in other countries, and furthermore, American volunteers can bring important skills and experience to our development work.

If confirmed, I hope that you will provide support and resources for the Volunteers for Prosperity Program, which is housed at USAID, and was established to provide grants to sponsoring NGOs, thus enabling ordinary Americans to volunteer overseas. Let me know what other steps you would plan to take to engage Americans in USAID's work and convey to the American public the importance of our development work.

MR. SHAH: Thank you, Senator. I have had the opportunity to be briefed on the Volunteers for Prosperity Program and I believe it's exactly those types of programs that have the potential to really unlock a much broader section of U.S. capacity and our people and our skills, and apply it to this development mission in a way that could help achieve outcomes more effectively and more efficiently. So I completely agree with and am very enthusiastic about the goal that you've articulated, and that program is perhaps a very important part of achieving that goal.

I had the opportunity serve at the Bill and Melinda Gates Foundation when Warren Buffett made his very generous gift to global health and global development and the rest of the priorities at that institution. And I was always struck by how many people from all parts of American society reached out and wanted to participate in this mission after that gift was made. And I think the point of, I think there is a huge potential for skilled professionals, early retirees, mid-career professionals, technical experts, scientists, medical doctors from across this country to participate in the mission of AID and participate in the mission of our foreign assistance, and I have a broad range of ideas about how to help make that happen. One thing that I find is often critically needed on the field where these programs are being implemented is real financial management. People who have been CFOs of mid-size companies, real human resource management, people who have those experiences. Those functional experiences are very, very important in standing up programs and capacities that are often necessary to get programs off the ground and to implement well, and so I'd look forward to trying to also find people with those types of skills and plug them into this mission.

SEN. FEINGOLD: Thank you, Doctor. As you know, one of the five QDDR working groups is focused on preventing and responding to crises and conflict, an area that's come up a lot in my work on the Africa subcommittee, and one that I think is very important. If confirmed, how will you seek to strengthen USAID's capacities for conflict and resolutions of those issues, particularly in Africa?

MR. SHAH: I appreciate that point and I share your commitment to the work that AID does on crisis and conflict. There, of course, the examples are tremendous, and that's a unique way, where, when we are successful at those efforts, communicating those successes to the American public can help build real support for our foreign assistance in a very concrete way.

I look forward to participating in the QDDR process to, you know, understand what the key organizational questions are in terms of how to bolster our efforts in this area, but I'm confident that there's a lot we can do relatively quickly, through that process and just through direct management of those particular programs at USAID to be more effective.

SEN. FEINGOLD: On another topic, as you know, U.S. leadership and funding in the area of global health has increased substantially over the last decade, the result of what I certainly consider to be an unprecedented bipartisan effort, however, there is, in fact, a real concern that some of our global health programs are fragmented on the ground. They're not well coordinated with each other, creating overlap and inefficiencies.

If confirmed, what steps will you take to enhance coordination and integration of our global health programs, and to hopefully bring them together under one overarching global health strategy?

MR. SHAH: I appreciate that question and would note that the global health initiative that the president outlined this spring is a \$63 billion, six-year commitment that does, in fact, build on and integrate, help integrate across our various global health commitments. That's true for most of the activities in the health area within USAID, and it would also include the PEPFAR program and the expansion of that program, consistent with the new strategic approach in that area, and a number of other health related programs and activities. So I believe that's the right vehicle for developing greater strategic coherence across those programs and ensuring that even as we have these vertical initiatives that have very quantitative and specific outcomes in a particular disease area, we're using our dollars strategically to build the kind of health systems that we're going to need to sustain over the long period of time so we can ultimately exit and those things can go on with local support and local capacity and local human resources to make those systems work.

I think the global health initiative is the way to do that, and I look forward to helping to lead that effort.

SEN. FEINGOLD: Dr. Shah, I was very pleased that the president, during his visit to Ghana earlier this year, affirmed that helping local communities to fight corruption is a key objective of our foreign assistance. What's USAID's role in these efforts by the United States to combat corruption, and specifically, how can we better work to promote the rule of law and good governance and transparency in places where we work and provide assistance?

MR. SHAH: Thank you. I'm glad you mentioned Ghana in that context. USAID has had a broad range of investments and Ghana has supported the recent elections and has trained 4,000 election monitors in that environment, and done so relatively quietly. But the AID grants and investments and partnerships there have really helped support that government, that society as they have made real gains in democratic governance and in reducing corruption and putting themselves on a path for food security and economic development. So I respect that that's a set of investments that AID makes. We will continue to make that an important priority.

I'll also note that with respect to efforts like the Global Alliance for Vaccines and Immunization, or my experiences with the Alliance for Green Revolution in Africa, in both of those contexts, we've had to put

in place, you know, unique and innovative systems of tracking both resources and outcomes in order to identify and resolve issues related to potential loss of resources in the pipeline as those monies go through those programs. And it has taught me a great deal about the need to do both financial auditing of these programs but also outcomes auditing.

And we worked with the CDC, for example, to develop a data quality audit tool that actually could verify in a statistically rigorous way, that the immunization logs countries kept in fact correlated to kids in villages that were getting immunizations. Before we did that, we didn't have the faith in the data coming back through the system that that was, in fact, valid information. So I think there are a broad range of tools that can be developed and put into place to continue to beat back corruption and graft, and I'm glad the president has made this a priority for our development enterprise.

SEN. FEINGOLD: Thank you very much, Doctor.

SEN. KERRY: Thank you, Senator Feingold.

Senator Isakson.

SEN. ISAKSON: Thank you, Mr. Chairman.

First of all, congratulations on your nomination. You have a sterling reputation, a beautiful family, and I'm sure you'll do a great job. I want to follow up on the answer to Senator Feingold's question because it hits at the heart of something I have a lot of interest in. You were very involved in the Global Alliance for Vaccine and Immunization. You kept referring in your comments, to the development is a discipline. And the result of that alliance is that now, according to your testimony, 79 percent of those in poor countries are now, in fact, vaccinated and immunized. That's a significant accomplishment.

The second biggest threat, after disease, is ignorance. My biggest familiarity in terms of foreign affairs is with the continent of -- the countries in Africa, where ignorance is a real problem.

Do you think it's -- it's one thing to develop disciplines on an event like a vaccination, it's quite another thing to develop disciplines on a process like education. Are there some things you could apply from the Global Alliance to the education process to help get education to more of that continent and to more of the low-income and poverty countries?

MR. SHAH: Thank you for highlighting the importance of education.

We -- USAID has a strong portfolio of activities in education already and we will look to strengthen that, if confirmed, going forward.

I do think there are important learnings in that field that have come out over the course of the last decade. The multilateral group of partners have come together around the "education for all" construct that has helped ensure that millions of additional children are now in school that otherwise would not have been. A lot of the debt relief that happened earlier in this decade was used to help children gain access to -- to schools.

I think there's been a recognition at AID, and in the general education community, that perhaps the quality of the education has not improved commensurate with the attendance. And so in addition to the absolute priority of getting more kids in school -- primary and secondary -- getting girls, in particular, in school, because we know that the payoffs for investments in girls' education are incredibly high in terms of health and community wellness and reinvesting in families.

In addition to that, I think we have to look carefully at the actual quality of education that's taking place. And there are a lot of things that are already going on that could be strengthened in terms of teacher quality, in terms of instructional quality materials, textbooks, using new technologies to bring down the cost of materials and ensuring that kids get access to a range of services in some of the schools.

So I'll look forward to, if confirmed, really making that an important point of focus.

SEN. ISAKSON: Well, I think it is. And probably on Senator Kerry's comment about the payback on foreign assistance and USAID, you only need to look at Ethiopia and what's been there in the last decade in terms of bringing education to that half-Muslim, half-Coptic Christian country and turned them from somewhat a questionable friend to an absolute friend. And they've been invaluable to us in that region of Africa. And I think it's through USAID and its NGO partners on education who actually made that possible and raised the visibility and knowledge, democracy and freedom in that particular country.

On 1524 for a second -- the Foreign Assistance Revitalization and Accountability Act -- are you somewhat familiar with that?

MR. SHAH: Yes, sir.

SEN. ISAKSON: Okay. In that act, there's an authorization for \$255 million, I believe it is, to carry out the intent of measuring the outcomes and disciplines in the process of our foreign aid.

Do you know now how much we're spending in USAID on measuring outcomes of the investment we make?

MR. SHAH: I do not. I can look into that and have that information sent back to you more formally.

I would make a few observations, though, about the path of evaluation and outcome assessment at AID. One is that it has gone down, not up, over the course of the last decade for a variety of reasons, some of which have been mentioned.

The second is there hasn't been as much effort that I think there could be to start building evaluation into program design and actually design the implementation of programs in a way that might use some newer methodologies around case-controlled methodologies and in some cases, randomization methodology so you get a better understanding of what's happening as you're rolling out the implementation of programs as opposed to looking more retrospectively.

And I think a lot of those tools have been pioneered by partners in Washington, D.C. and around the world. I'd look the Mexican example in Oportunidades or Progresá, which was really an outstanding

program of offering cash to women who brought their kids to health clinics for appropriate early childcare.

But you know, the evaluation structure around that program was so rich and effective that other countries then took it up and it sustained itself and generated a broad range of political support for that type of effort.

So I think when done very well, evaluation impact assessment can be very, very powerful. So I'll look forward to getting you a specific number, but that would be my general approach.

SEN. ISAKSON: Well, one thing I would like for you to do after your confirmation and when you get there – it would be important to me – we're all concerned about the amount of money we're spending right now as a nation and we have a significant debt problem. One of the concerns over that expenditure of 255 million (dollars) for me was: Is there not some money now being spent in the agency that could be used, in part, to lessen that cost of new money?

So some evaluation of the current process and what it costs us today could help to offset the new process that you put in if it's systematic or whatever it might be. I think that'd be interesting for the committee to know. It'd certainly be helpful to me and I'd appreciate your attention to it.

Thank you, Mr. Chairman.

SEN. KERRY: Thank you, Senator Isakson.

Senator Menendez.

SEN. MENENDEZ: Thank you, Mr. Chairman.

Doctor, congratulations on your nomination.

And let me take the opportunity to thank Alonzo Fulgham, who is a career Foreign Service officer, who has been the acting administrator and doing -- in difficult circumstances -- a great job.

So thank you for your service.

I want to echo the chairman and the ranking member's comments in their opening statements -- and particularly Senator Lugar when he said that -- let me take a step back.

First of all, I believe, as many others do, that AID has been decimated and that is to our disservice as a country. And I believe, as Senator Lugar said in his opening statement, that we need AID to be a full participant in policymaking and budgeting, and the ability to independently evaluate the effectiveness of foreign assistance program, provide coordination across the agencies. Now, this empowers the secretary of State to pursue our national goals abroad.

And as you and I had a good time -- a chunk of time yesterday to talk about some of these things, as the chair on the subcommittee that deals with -- the Committee on Foreign Assistance -- I have been a

strong supporter of foreign assistance, because I believe it serves the national security and the national interests of the United States.

But how we do that has to change.

And I'm not simply into outputs, I'm into outcomes. And as such, you know, I want to pursue a line of questions with you -- I think we talked about this a little bit yesterday -- but you know, quality, monitoring and evaluation have been brought up here several times. They're critical to the success of these programs. USAID was a leader in this effort, now it has lost the capacity over the years.

We now largely pay third parties to tell us what we want to hear. I see in the legislation that we worked with the chairman and the ranking member that we called for an independent council on research and evaluation in the executive branch to evaluate the impact of U.S. foreign assistance programs across all agencies and departments, as well as multilateral assistance programs receiving U.S. funding.

Do you think such an entity would be useful to inform Congress and the American people about which programs are actually having an impact and which are not?

MR. SHAH: Thank you for the question.

I do believe it is critical to have a strong impact assessment evaluation capability that's capable of not only answering the question of which programs are working and which ones aren't, but also in the context of program implementation, what are the types of things that are working and could be enhanced and what are the types of things that are not as effective so that we can actually change and evolve programs as we're implementing them to make sure we get better outcomes.

That's an approach that I took in structuring, you know, long-term projects while at the Gates Foundation. Investments in a coffee value chain in East Africa to try to reach 200,000 farm households. That was an eight or 12-year ambition, but every six months we would get data and information that would allow us to work with partners to understand, you know, can we do this better? Can we do it more efficiently? Can we bring down the unit cost of working with a farm household?

So I would hope that an evaluation framework and a system would be able to meet those dual goals of broadly understanding what works, what doesn't work and also guiding program implementation as it's happening to make sure that we're optimizing the spending against our outcomes.

SEN. MENENDEZ: Well, I bring to your attention that part of the legislation that both the chair and the ranking member have mentioned in the legislation. That is an attempt to try to move us in the right direction, because waiting for the QDDR is just going to, I think, not strengthen USAID's role in this interim. So you know, we'd love to pursue that with you.

Let me turn to another question: It seems to me that the hallmarks of a strong institution are control over its budget, over its planning, over its resources. And when you lack that, you lack the elements of a strong institution.

Over time, AID has lost a direct line to the Office of OMB; the State Department has exerted more control and influence over AID's budget authority. How do you see AID's role in interagency budget negotiations? And should AID have control over the final allocation of development resources across countries and programs so that meaningful field perspectives are included in it?

And if confirmed -- I'll give you all one large question here -- if confirmed, what will your relationship with the F Bureau be? Have you been guaranteed either of these as a condition for accepting your position? Because you know, if -- I mentioned to you yesterday having sharp elbows, but you still need to be at the table with your siblings to have sharp elbows.

And so that's one of my concerns.

MR. SHAH: Thank you, Senator.

I come back to the president's principle that he articulated about how to do development assistance in a way that is best practice.

And he talked about following comprehensive country-led plans, making investments against specific outcomes and monitoring them and learning from them; working with multilateral agencies on the ground and making sustained commitments over a long period of time.

In order to achieve living up to the principles the president very clearly articulated, I believe AID will have to have a strong capacity to plan, invest, track finances, be accountable for outcomes and evaluate programs. And I believe that needs to exist at AID. I believe it needs to exist at all levels of program development, design and oversight. And it needs to exist across the AID continuum, from Washington and into the field.

And so those are principles that I will bring to discussions like the QDDR and others where these specific questions about what does that mean for the process itself will come up and be addressed.

But I intend to be a strong voice and speak from that perspective.

SEN. MENENDEZ: I appreciate that. And let me go back to my question, because I probably elongated it. Let me do it in parts. And you're very good. I mean, I don't know how long -- how long were you at Agriculture?

MR. SHAH: Five months.

SEN. MENENDEZ: Five months. Well, you've learned the Washington process here very well.

Let me get specific answers to my questions. One, what do you view as your role in the interagency budget negotiations? Should you have final allocation of the development resources across countries and programs? Is that your view, or do you hold a different view?

MR. SHAH: No, that is – I view my role as being responsible for the development budget and the AID budget, and I view my role as being engaged deeply with other key partners that are making those determinations, at OMB and elsewhere.

SEN. MENENDEZ: And with reference to the Director of Foreign Assistance, previously that was dual-hatted; Henrietta Fore basically had that. Do you envision yourself having a dual hat? Do you -- if you are responding to the director of Foreign Assistance, you are now another level away from being at the table to have sharp elbows. How do you envision that would have been your conversation as it relates to that? Because that's part of the expectation of what role you -- you can have the greatest aspirations to do a great job. I asked you why you wanted this job and you gave me a great answer.

But at the end of the day, if you're not in a position to do it because of the structure, you're not going to be able to achieve it.

MR. SHAH: Sir, to be direct about your question, I don't have a very specific view on the F process, the Director of Foreign Assistance position, which was used in the previous administration, what that should look like. And I think that that is being determined in the context of the QDDR.

The assurance I have and that I've been very clear about with the secretary of State and with the White House is that this is a position that reports to the secretary and will continue to report to the secretary and that I will be accountable for making sure we rebuild USAID into a premier development --

SEN. MENENDEZ: You're going to have direct line of communication to the secretary.

MR. SHAH: Absolutely.

SEN. MENENDEZ: Thank you, Mr. Chairman.

SEN. KERRY: Thank you, Senator Menendez.

Senator Cardin.

SEN. CARDIN: Dr. Shah, first of all, let me thank you for your public service and thank your family for -- this is a family event. And we know that you have to have a supporting family, and we thank them for their sacrifices.

I also just wanted to observe there were 11 senators that were here at your confirmation hearing, which I think is a demonstration of the interest in the United States Senate, which mirrors what is international -- the national interest and high expectations of what foreign assistance and development assistance can mean for U.S. policies.

But as you sense from each one of our questions, there is frustration that we have developed over time different development programs that are not always coordinated and that the resources going to AID have been diminished as far as your staff support.

There's also been conflicts in different agencies, whether it's the Department of Defense, the Department of State or Department of Agriculture. And then, in country, there is some confusion today, particularly in high-interest countries, as to whether a high-level ambassador or the mission director has the principal responsibility to coordinate programs.

All that has brought great concern to all of us in the United States Senate and great expectation that, in your position, we can establish the right structure to make sure that the investments we're making, in fact, will carry out the U.S. policy and that it will be done in a much more coordinated way. You've already answered questions in this area. You've also deferred to the review process that's going on, and I understand that.

I just really want you to know that there is strong support in the Congress for your position coordinating the development responsibilities of our nation and speaking with a strong voice as to that role in our foreign policy and that we urge you to use the position, if confirmed, to bring about those types of reforms.

I want to mention one area that Congress has talked about for the last 35 years, and that is gender integration into foreign assistance. We've been talking about that for a long time. And yet the resources that have been devoted towards gender integration seem to be meager at best, and very little progress has been made over the years.

In Afghanistan today, we talk a great deal about women and their rights, and we have made some progress and we're proud about that. But across the world, we have not done as much as we should as far as gender integration.

I want your commitment that you will report to this committee steps that you are taking to carry out congressional intent that gender integration be part of foreign assistance.

MR. SHAH: Senator, I can absolutely make that commitment. I will absolutely make that a priority and will be quite pleased to continue to counsel with this committee on that point. I believe effective gender integration is often the difference between success and failure of a broad variety of development investments.

I've had a history while at the Gates Foundation and at USDA in participating in the Food Security Initiative of making sure that gender integration is done well in the context of implementing programs.

A lot of times there's a fair amount of language about gender integration, but there is less specific strategies to make it happen in programs – our programs measuring women's incomes in a disaggregated way from household income; our programs serving and listening to the people that they're trying to serve, mostly women, and understanding what their unique constraints are to participate in these efforts. If we're hiring extension officers, are we matching the ratio of extension officers hired to the ratio of women to men that are trying to be directly served and touched by these programs?

And so I think there are a lot of tools that can be employed to actually do this work very well, and I look forward to putting those tools in place where they could be most effective in AID programs. And I'm also glad you mentioned Afghanistan, where I think there has been real progress in this area, with more than 70,000 microloans provided to women and an infant-mortality rate that's come down significantly because of better access women have to health services.

SEN. CARDIN: Let me just point out the challenge you're going to have is going to first be on the budget in hiring of personnel. You have, I think, a significant shortage of personnel to carry out the responsibilities that have been expected here. And you're going to need to devote resources to this issue. So I thank you for your commitment to come back to us and let us know how you are doing in regards to gender integration.

Now, Afghanistan has a lot of focus, and it should. It's one of the highest-priority countries of our national interest. But there are places around the world that we have development programs that we could leverage much more effectively for women. And I urge you to come back to us and let us know what we can do to be helpful.

Let me bring up an issue that I brought up in our discussion, I guess, two weeks ago, and that is, part of our development assistance is clearly -- our primary objective is to build a strong and stable country, which is in the U.S. interest. But we also are trying to develop friendships. We're trying to develop closer appreciation.

You mentioned President Kennedy's photograph in the Indian village. Well, in many places in the world, we hide the fact that the U.S. is involved because of security concerns of our personnel, which is fully understandable.

How do you see us balancing the security concerns with the expectation of U.S. taxpayers that the investments we are making will also involve a better understanding between the United States and the country receiving the aid?

MR. SHAH: I appreciate that point, and I believe it is imperative that we make sure that both the governments and, most notably, the people and the communities served have an understanding over time of where those resources and services are coming from. And so I think there are a broad number of tools that can be employed to make that happen.

One very powerful tool that often is talked about but not practiced as much is just simply putting in place structures to listen to those people we're trying to serve and make it clear that the face of American programming in these countries is one that is consultative, is one that is responsive to peoples and communities, and often people who, you know, no one else will listen to.

And I think we should have an AID administrator and a culture at AID where we're all willing to go and sit in a farmer's field or in a hospital clinic, in a waiting room, and talk with people who are benefiting from these programs or learn from people who should be benefiting but are not.

And if we can put that kind of a face forward, I believe people will respect the fact that it's U.S. assistance that is providing the big gains in their living standards, that they'll have a better vision of what the U.S. represents in their village and their community, and they will share some of our common values and aspirations. So I think there are a broad range of ways to make that happen, and I appreciate the fact that you're highlighting that.

And I intend to look at that very carefully.

SEN. CARDIN: We wish you well. Thank you very much.

SEN. KERRY: Thank you very much, Senator Cardin.

Senator Casey.

SEN. CASEY: Thank you, Mr. Chairman.

And Dr. Shah, thank you for your commitment to public service, which is a continuing commitment. We're grateful for that commitment and the commitment of your family, not only for their presence here today but also for the larger commitment that I know every family of every public servant has to provide.

I have to say, I noted your son has been so quiet and focused on your confirmation that he's aiding in that process – (laughter) – and we're grateful that he's been such a good example.

I'm tempted to say that you should be confirmed simply because you're a graduate of the University of Pennsylvania Medical School – (laughter) – and the Wharton School, but we have to do more than just that. But we're grateful that you have those Pennsylvania connections.

As a former – in my case, a Jesuit volunteer; I'm glad that you mentioned in your statement that you've been a volunteer. And I was struck by – just by way of introduction to some of my questions, I was struck by the statement, your statement in a number of instances.

But in particular, on page one where you said, and I'm quoting, after talking about your experience visiting your parents' homeland in India, quote, "This early experience," seeing poverty in India at that time – "this early experience opened my eyes to a type of human suffering I had not previously witnessed and have not since forgotten," unquote.

Not enough do we see in confirmation hearings direct references to human suffering. So we're grateful that you recognize that, and we're also grateful that you'll be inspired by and guided by that experience.

I wanted to focus on food security. Senator Lugar and I have a bill that I think is essential to this strategy, the Global Food Security Act – just for reference, Senate Bill 384 – which Chairman Kerry led out of our Committee, and we're grateful for that work, his work, and Senator Lugar's work. Obviously, that's in addition to the administration's focus. And when it comes to food security, I think we come to our passion about and conclusions about that issue probably for three reasons. One is we're – no matter

who we are, I think we're summoned by our conscience about the suffering that goes – is connected with a lack of food or food insecurity.

We're also cognizant that food security means economic growth. It's better for everyone in the world if we concentrate on this problem. And thirdly and increasingly, we're seeing the direct nexus between food security and national security – food security and keeping the world safe from the ravages of extremism and terrorism.

And I wanted to ask you, in terms of your stated and, I think, articulate summation of what your focus would be leading USAID, how would you go about implementing all of these strategies as it relates to food security, the president's commitment and the secretary of State's commitment on this issue, as well as individual pieces of legislation like our bill?

MR. SHAH: Thank you, Senator Casey, for those comments and for that question.

I believe this is a unique time to implement the food security initiative in a way that can generate concrete outcomes. And it is the unfortunate reality for the first time in decades, the number of people suffering from extreme poverty and actual chronic hunger has gone up over the last few years. Just last week, the global community reported more than a billion people suffering. So it is a tremendous problem and the tide needs to turn. And the president has been very committed, noting a \$22 billion global commitment from a range of different countries and partners, and outlining a set of principles that will guide us in terms of how to implement in an effective way. I believe USAID will play a strong leadership role in this effort. AID's agriculture and nutrition, health and other equities are critical to being successful here. And so there's an effective whole- of-government process.

But the leadership of that process and the leadership of implementing these programs will rest with AID's capacities to do that.

In terms of specific next steps, we're in the process of working with – identifying and working with priority countries. The principles of following country-led plans require deeper and more substantive strategic engagement with these countries to develop those plans and to fully ensure that they are in fact comprehensive plans, that they include working across the full agriculture value chain from research and science all the way through to the table to make sure that food is available for communities and people that are suffering.

And putting that together in a way that is coordinated with other donors and deeply engaged with the countries and their partners themselves is going to take some time, but that's the process that's currently under way.

From that process will come investments against those specific country plans. And those investments will start the implementation of those efforts. But in many ways, this whole initiative builds on an already-ongoing portfolio of investments in agricultural development and nutrition that exists at AID and that are taking place. And this will enhance the quality and effectiveness and impact of those portfolios.

SEN. CASEY: Thank you. And I'll conclude with this question about the appropriate focus we have on the challenge in Afghanistan and Pakistan, as well as the continuing challenge in Iraq.

I guess I'd ask you, do you anticipate that USAID will be able to support the personnel needs in at least those three places as it relates to having a positive impact on the challenge we face in all three? And I know that may need further written amplification, but just in terms of the – what you can tell us about the personnel needs and whether you'll be able to meet that, for those three countries at least?

MR. SHAH: Yes, I believe we will be able to meet that, and I look forward to the opportunity of providing specific feedback on that in writing.

The expansion of civilian personnel, especially in Afghanistan, has been a subject of much focus, appropriately, that the administration's been committed to of achieving nearly 1,000 civilian personnel. And that doesn't, of course, represent the full civilian capacity, because each of those civilians should be engaging with 10, 15 local partners in an effective way so that that is really expanding the civilian capacity quite significantly.

AID has been nearly a third of that 1,000, and so – of that nearly 1,000, and so – and has had the largest scale-up of the group.

So I recognize that this is an immediate priority, making sure we have civilian capacity in these environments and that we can deploy there quickly and effectively with the right skills and the right people.

I also recognize Congress's great leadership in the Development Leadership Initiative, which is allowing AID to hire 1,000 new Foreign Service officers. And I reviewed the resumes and the people that have been brought in to date, and it's a very impressive group of Foreign Service officers.

I think there are other areas where AID should be rebuilding its skill set, mid-career and technical professionals, in a variety of specific areas, and I'd like to consult with you on figuring out how to do that in an effective way. But that would also be a personnel priority for me.

SEN. CASEY: Thank you very much.

SEN. KERRY: Thank you, Senator Casey.

Senator Kaufman?

SEN. KAUFMAN: Thank you, Mr. Chairman.

And I think I go with everyone else in just thanking you and your wife for public service. There's lots of other things you could be doing. I think one of the great things about this country is we attract people into the federal government with qualifications. Your qualifications and grade are clearly perfect for this kind of a job.

Afghanistan. We talked about it a little bit when we met.

Can you talk a little bit about how we have success there, USAID has success, considering the number of contractors we have and the level of corruption that's going on in Afghanistan at the present time?

MR. SHAH: Sure. Thank you, Senator, and I appreciated our opportunity to discuss Afghanistan previously, which I found very helpful.

I believe that, you know, there are a few thoughts on that, and one is AID is, of course, scaling up its civilian presence consistent with what we just discussed. And that's an important part of having the capacity to implement resources in an effective way. I recognize there's an ongoing effort to review and assess the right way to use external implementing partners, whether they are contractors or NGOs or local organizations that can effectively build schools and dig wells and do the variety of things that fit within the development strategy in that context.

I look forward to an opportunity to have a nuanced review of that. I think there're some cases where, say, our Office of Transition Initiatives may be using contractors in an effective way, where they are deeply managed and expanding the capacity to implement against the strategy in a largely efficient and quick manner. There are perhaps other situations where too much is outsourced in a contracting environment, and it precludes the AID team there from building the kind of knowledge base and skill set and capacities to be as capable as we will need that capacity to be in that important national security priority area.

So I would like to have a nuanced review of the contracting and sort of ascertain which types of contracts are effectively expanding our capacities and which types of contracts could be done quite differently.

I have had the chance to speak with the secretary and with others about this. And I think the priority of building local capacity, serving the people in those communities, having those people understand that the benefits of these investments are, in fact, coming from the U.S. government, and doing that in a way that offers credibility, perhaps, to the sub-national governments in that context, are very important. And so those, I think, are all important priorities in terms of how you implement there well.

And then I would just conclude, because you mentioned the term corruption, I think it is important to continue to have a strong auditing framework. I'm glad that there are rigorous audit systems in place to track financial flows.

I'd like to explore are there ways to put auditing systems in place to track outcomes in a quicker and more effective way, and to begin to understand what is actually being sustained by the broad range of development investments in that context and what does not appear to be sustained. And I think there's a lot that could be done in that environment as well.

SEN. KAUFMAN: Can you briefly tell us what you see your relationship with S/CRS in the State Department?

MR. SHAH: Well, I -- that relationship is under review in the QDDR. But I bring the principle to that question that we need to -- that USAID needs to have a strong capacity to develop and to place and deploy our civilian expertise in national security priority areas.

And we need to be able to do that and have a variety of tools at our disposal in order to do that in areas that are more secure and then some areas that are less secure.

And I think that we should be developing those tools and capacities at AID in a very strong way, in order to be an effective partner with the military capacity, as well as other civilian partners, to make that happen.

SEN. KAUFMAN: You know, we've kind of decided as a country to move ahead on this counterinsurgency strategy, which I totally supported. And one of the key things is the development part and the governance part, in which AID could play a major role.

But so far, we've basically been picking people up and assigning them to this without any background.

If I came back here four years from today and you were giving your report on how AID has integrated itself to make the counterinsurgency more effective wherever it's being used, what were the kind of things that you'd like to see you'd be able to say?

MR. SHAH: Well, there are a few things that I'd like to be able to say in a few years with respect to that. First, I come back to the point that development is a discipline. And I think AID has a responsibility to step up and offer very clear, visible and understood strategic leadership so that in these places where we deploy development dollars in a national security environment, we are very clear about what's the specific development strategy in different parts of the country, what is our role versus the role of other donors, how are we aggressively bringing other partners to the table in order to have a sustained approach to development, and what are the goals and objectives of resources that are more oriented around stability goals and long-term development goals.

I think it's fine to have multiple objectives, it's just important to be very clear and precise as to what those objectives are and which specific context. And that's an area where AID should have a strong capacity to offer immediate leadership.

I think a second is AID should bring operating excellence to that problem. So we should have a broad range of tools, as we currently do, but could expand upon. And help any other partner -- in particular the defense partners -- implement the development in a way that's consistent with what's been learned and what AID knows how to do in terms of working with a broad range of implementing partners and building strong local capacity. But to be very clear about the answer to the question, I think in four years you've got to have a lot of other donors at the table. You have to have real outcomes you can point to that are monitored and evaluated and real. And you have to have local capacity that can sustain many of the gains made.

SEN. KAUFMAN: Can you talk a minute about the kind of people you recruit? Do you recruit different kinds of people into AID based on the fact that they're going to be in a war zone, they're going to be part

of a counterinsurgency, they're going to be working with the military? Do we need different kinds of talents in terms of the people that we're recruiting and also are training?

MR. SHAH: Yeah. Well, you know, I took some of your recommendations very seriously about thinking about how you have a civilian capacity that can be structured and defined so that it is ready to deploy in different environments. And when one takes that lens, yes, I think we should look at building a different range of capacities and doing that in a more expansive way and making sure that there's readiness around those capacities to deploy to specific areas and specific priority environments and do that quickly.

So I absolutely think that's true. I think right now, one of the major gaps is technical expertise in core areas of the strategy.

And so if we're filling those gaps by leveraging other experts around the federal government or with external partners, that's one approach.

I also believe USAID should rebuild some of that technical expertise so that it can be ready to deploy in those environments.

And the final point I would make is there are now some training efforts underway, of course, as you know, that start to prepare the staff more effectively for being effective civilian counterparts in a military environment.

SEN. KAUFMAN: I just want to thank you again for your service.

I want to agree with Senator Cardin the fact that so many senators here to talk to you shows how people are concerned about the future of AID. I think all of us think it's really key. I wish you the very, very best of luck.

And thank you, Mr. Chairman.

SEN. KERRY: Thank you very much, Senator Kaufman.

Just a few questions, then we'll wrap up here.

One, a number of your answers today have referred to the QDDR and the PSD process. That, apparently, has been ongoing. But to be candid with you, Congress has really not been asked to provide much input to it. And so we are concerned about it a little bit. And I wonder if you can share with me, do you anticipate a greater role for congressional input, and what's the process going to be going forward?

MR. SHAH: Thank you. I do anticipate a far more significant role for input from Congress and from many other voices that have important contributions to make to deliberations of QDDR in its various working groups. And I think we should place on ourselves the priority of, if confirmed, of going out and securing that input from a range of places and, especially, Congress.

So, yes.

SEN. KERRY: Okay. Well, we look forward to that. Also, is the security situation -- a number of questions were asked previously. I was going to ask you about Afghanistan and Pakistan.

But is the security situation in both places going to allow USAID staff to adequately monitor and assist in the implementation?

MR. SHAH: I believe so. There are very specific tools and programs that we can deploy in environments that are less secure to do that effectively. I think the Office of Transition Initiatives has highlighted that work in the FATA region in Pakistan and other parts of Afghanistan. And those types of models could be used more actively and more effectively, and many of the standard implementation of AID programs could benefit from some of the insights gained from those types of contracts and the way they manage their contractors at OTI in terms of building real, local capacity and moving very quickly, providing services in an in-kind manner, and doing that in a way where it's recognized, appreciated and responsive to local community needs.

SEN. KERRY: Can you say at this point in time whether or not you have adequate flexibility in the law to be able to do the kind of local parties and direct implementation that you want to?

MR. SHAH: I would appreciate the opportunity to come back specifically on whether there are legislative changes that would --

SEN. KERRY: I think that's an important assessment to make fairly quickly if we can.

And just for the record, an important question for the committee, but is there any issue from which -- or decision-making process within this new job that you would have to recuse yourself from as a result of any potential conflict of interest?

MR. SHAH: I am working with the White House Ethics Office on making sure that my relationship with the Gates Foundation is consistent with the process in place and the ethics pledge that all nominees have been taking.

When I was at USDA, I did have an ethics waiver that was under consideration, and so they are working that through. And I will abide by whatever legal guidance is offered in that context.

SEN. KERRY: And is there any financial interest that you have that might potentially pose any kind of conflict, any choices you make with respect to this performance of responsibilities?

MR. SHAH: No. Consistent with the recommendations of others, I will divest from certain stockholdings per the guidance from the Ethics Office.

SEN. KERRY: Great. Well, again, we appreciate enormously your willingness to do that. Is the pronunciation of your son correct? Is it Sajan?

MR. SHAH: That's perfect, sir.

SEN. KERRY: Perfect. That's good. Well, he's been terrific. He's gone – he only found his mother's lap in the last few moments -- (laughter) – which is very, very impressive. And we may have to subpoena his notes – (laughter) – to get real insight about you. But he's been terrific. He's been a good listener, and I hope you find your daughter somewhere in the corridors of the Capitol. (Laughter.)

Senator Lugar?

SEN. LUGAR: Mr. Chairman, I have two questions. One of these arises from friends in diplomacy in Lebanon who have asked this.

It says the agency – that is USAID -- has provided support for many higher education institutions for decades including the schools in Lebanon. A change in policy has been under consideration that would shift some or all of the scholarship funding from American schools accredited by U.S. institutions to other schools operating in Lebanon.

Some observers have questioned the policy as undermining one of the program's core objectives of promoting critical thinking, democracy and tolerance. You off the top of your head, will not be able to investigate any potential argument going on in Lebanon or other places, but could you provide for the record a status report on how this funding should be allocated? And could you report back to the committee on your findings there?

MR. SHAH: Yes.

SEN. LUGAR: I would appreciate that.

Secondly, many countries in which USAID has operations face grave governance and corruption problems, some of which has been discussed in our hearing this morning. And these, of course, have dire consequences on AID effectiveness.

What are your thoughts on overcoming these dilemmas of corruption, either small or rampant, and the bad governance options because, obviously, this undermines the confidence of American taxpayers as they read about programs that were meant to be very helpful to people but have been short-circuited, to say the least, by bad governance?

MR. SHAH: Senator, I agree with that sentiment, and I would articulate the principle that I don't believe there should be any tolerance whatsoever for corruption in the implementation of these programs. We've talked about a range of tools that can be employed to both audit the financial flow of resources and audit the outcomes -- both outcomes and outputs -- that are derived from these programs and investments. I think all of that is critical to ensuring that there's a free flow of resources against outcomes and doing that effectively.

I have had specific experiences, of course, as has anyone who has been deeply involved in managing billions of dollars of investments in development, and we have run into this problem in a number of different contexts all around the world. And I think it just requires a high degree of vigilance, a willingness to make investments even if they are costly in auditing and tracking resources and outcomes,

and a very clear policy that we will not tolerate that on behalf of American taxpayers who are, in fact, offering their generous resources here to achieve outcomes for other populations.

SEN. LUGAR: Well, I appreciate that comment and your affirmation. I would say, as a practical matter, and you've already had much practice in the field on this, but the so-called Kerry-Lugar bill for Pakistan has had many comments in the press.

And in fairness, the government of Pakistan has affirmed support and, in fact, very strong support for the thought that \$7.5 billion over five years of time might be allocated for the betterment of the people in terms of education, legal defense, all sorts of problems.

But at the same time, in the press accounts there is a clear resentment that the United States should have any interest in monitoring how these funds are used -- that somehow or rather in our quest for humanitarian goals but likewise good governance that the money actually reaches poor people, people who are suffering and so forth that this is a severe intrusion.

Now Pakistan is not the only country that has that sort of feeling with regard to American aid. And so the problem is compounded. On the one hand, we are attempting to do the very best we can in a humanitarian development sense, but at the same time sort of asking for accountability and for data and for results and outcomes as you've suggested. The political realities in many, many occasions are that this is very difficult to come by while practicing American diplomacy with regard to our interests at all other levels with various governments.