

USAID: FOLLOWING THE MONEY

HEARING

BEFORE THE
SUBCOMMITTEE ON NATIONAL SECURITY,
HOMELAND DEFENSE AND FOREIGN OPERATIONS
OF THE
COMMITTEE ON OVERSIGHT
AND GOVERNMENT REFORM
HOUSE OF REPRESENTATIVES
ONE HUNDRED TWELFTH CONGRESS

FIRST SESSION

MAY 11, 2011

Serial No. 112-29

Printed for the use of the Committee on Oversight and Government Reform



Available via the World Wide Web: <http://www.fdsys.gov>
<http://www.house.gov/reform>

U.S. GOVERNMENT PRINTING OFFICE

68-046 PDF

WASHINGTON : 2011

For sale by the Superintendent of Documents, U.S. Government Printing Office
Internet: bookstore.gpo.gov Phone: toll free (866) 512-1800; DC area (202) 512-1800
Fax: (202) 512-2104 Mail: Stop IDCC, Washington, DC 20402-0001

COMMITTEE ON OVERSIGHT AND GOVERNMENT REFORM

DARRELL E. ISSA, California, *Chairman*

DAN BURTON, Indiana	ELLJAH E. CUMMINGS, Maryland, <i>Ranking Minority Member</i>
JOHN L. MICA, Florida	EDOLPHUS TOWNS, New York
TODD RUSSELL PLATTS, Pennsylvania	CAROLYN B. MALONEY, New York
MICHAEL R. TURNER, Ohio	ELEANOR HOLMES NORTON, District of Columbia
PATRICK T. McHENRY, North Carolina	DENNIS J. KUCINICH, Ohio
JIM JORDAN, Ohio	JOHN F. TIERNEY, Massachusetts
JASON CHAFFETZ, Utah	WM. LACY CLAY, Missouri
CONNIE MACK, Florida	STEPHEN F. LYNCH, Massachusetts
TIM WALBERG, Michigan	JIM COOPER, Tennessee
JAMES LANKFORD, Oklahoma	GERALD E. CONNOLLY, Virginia
JUSTIN AMASH, Michigan	MIKE QUIGLEY, Illinois
ANN MARIE BUERKLE, New York	DANNY K. DAVIS, Illinois
PAUL A. GOSAR, Arizona	BRUCE L. BRALEY, Iowa
RAÚL R. LABRADOR, Idaho	PETER WELCH, Vermont
PATRICK MEEHAN, Pennsylvania	JOHN A. YARMUTH, Kentucky
SCOTT DESJARLAIS, Tennessee	CHRISTOPHER S. MURPHY, Connecticut
JOE WALSH, Illinois	JACKIE SPEIER, California
TREY GOWDY, South Carolina	
DENNIS A. ROSS, Florida	
FRANK C. GUINTA, New Hampshire	
BLAKE FARENTHOLD, Texas	
MIKE KELLY, Pennsylvania	

LAWRENCE J. BRADY, *Staff Director*

JOHN D. CUADERES, *Deputy Staff Director*

ROBERT BORDEN, *General Counsel*

LINDA A. GOOD, *Chief Clerk*

DAVID RAPALLO, *Minority Staff Director*

SUBCOMMITTEE ON NATIONAL SECURITY, HOMELAND DEFENSE AND FOREIGN
OPERATIONS

JASON CHAFFETZ, Utah, *Chairman*

RAÚL R. LABRADOR, Idaho, <i>Vice Chairman</i>	JOHN F. TIERNEY, Massachusetts, <i>Ranking Minority Member</i>
DAN BURTON, Indiana	BRUCE L. BRALEY, Iowa
JOHN L. MICA, Florida	PETER WELCH, Vermont
TODD RUSSELL PLATTS, Pennsylvania	JOHN A. YARMUTH, Kentucky
MICHAEL R. TURNER, Ohio	STEPHEN F. LYNCH, Massachusetts
PAUL A. GOSAR, Arizona	MIKE QUIGLEY, Illinois
BLAKE FARENTHOLD, Texas	

CONTENTS

	Page
Hearing held on May 11, 2011	1
Statement of:	
Shah, Rajiv, Administrator, U.S. Agency for International Development; and Donald A. Gambatesa, Inspector General, U.S. Agency for Inter- national Development	5
Gambatesa, Donald A.	12
Shah, Rajiv	5
Letters, statements, etc., submitted for the record by:	
Gambatesa, Donald A., Inspector General, U.S. Agency for International Development, prepared statement of	14
Shah, Rajiv, Administrator, U.S. Agency for International Development, prepared statement of	8

USAID: FOLLOWING THE MONEY

WEDNESDAY, MAY 11, 2011

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON NATIONAL SECURITY, HOMELAND
DEFENSE AND FOREIGN OPERATIONS,
COMMITTEE ON OVERSIGHT AND GOVERNMENT REFORM,
Washington, DC.

The subcommittee met, pursuant to notice, at 3:25 p.m. in room 2157, Rayburn House Office Building, Hon. Jason Chaffetz (chairman of the subcommittee) presiding.

Present: Representatives Chaffetz, Labrador, Tierney, and Welch.
Also present: Representative Issa.

Staff present: Laura Rush, deputy chief clerk; Ali Ahmad, deputy press secretary; Thomas A. Alexander, senior counsel; Molly Boyl, parliamentarian; Kate Dunbar, staff assistant; Christopher Hixon, deputy chief counsel, oversight; Jaron Bourke, minority director of administration; Kevin Corbin, minority staff assistant; Jennifer Hoffman, minority press secretary; Scott Lindsay and Carlos Uriarte, minority counsels; and Zeita Merchant, minority LCDR, fellow.

Mr. CHAFFETZ. The subcommittee will come to order.

Good morning and welcome.

I appreciate the patience of everybody involved here. Given the timing of our votes, I know we are quite delayed here by almost 2 hours, so I appreciate your patience and the two gentlemen who are going to address us today.

Today's hearing is entitled, "USAID: Following the Money." I want to thank both parties for being here today. The purpose of the hearing is to examine USAID's efforts to measure, monitor and account for taxpayer dollars spent through U.S. foreign assistance programs.

Over the past 10 years, the United States has dramatically increased economic and foreign military assistance. Since the year 2000, funding in these areas has risen sharply from approximately \$18 billion to over \$45 billion. The United States provides foreign assistance to 149 countries around the globe. Of this, USAID administers approximately \$18 billion to over 80 countries.

In fiscal year 2010, the top three recipients of USAID funding were Afghanistan, Pakistan and Haiti. Together, the United States expended nearly \$5 billion for flood relief, earthquake relief, infrastructure projects, political assistance and other reconstruction efforts.

Since USAID does not have internal capability, much of this work is carried out by international organizations, for-profit con-

tractors, and non-profit, non-governmental organizations, often referred to as NGO's.

To administer and oversee these expenditures, USAID employs nearly 10,000 full-time employees and contractors. Despite the large number of personnel, USAID appears to have difficulty fulfilling its fiduciary responsibility to properly account for many of these expenditures.

According to Inspector General Gambatesa's written testimony today, "Our work has frequently identified planning weaknesses and potential improvements in documenting, monitoring, evaluating and reporting on program performance. For example, OIG audits have often identified inaccurate or unsupported results. In fact, more than a third of the performance audits and reviews we issued in fiscal year 2010 noted that data reported by USAID operating units or their partners were misstated, unsupported or not validated." This is a staggering observation. This analysis is consistent with some of the things that I have seen, quite frankly, in both Afghanistan, Pakistan and Haiti.

A recent IG memorandum drafted to Administrator Shah reported that USAID implementing partners overstated numbers of beneficiaries in Iraq. Let me high light a few of them: 262,482 individuals reportedly benefited from medical supplies that were purchased to treat only 100 victims of a specific attack; 22 individuals attended a 5-day mental health course, yet 1½ million were reported as beneficiaries; 123,000 were reported as benefiting from water and well activities that did not produce potable water; and 280,000 were reported as benefiting from \$14,246 spent to rehabilitate a morgue. In many ways, this is blatant fraud.

In each country, I requested basic information regarding ongoing and completed projects from the local USAID offices. Among other things, my request included number of projects, projected and actual costs, and whether USAID had verified the completion of the projects. Officials in each country could not produce this most basic information.

USAID has since provided some of the information I requested. However, I am concerned that it took 8 weeks and a formal congressional inquiry to assemble the data. This is data that I believe should be readily available to the American people. For those of you here in the room, on the slides you will see some of the pictures that have been taken along the way.

Americans are paying top dollar for foreign assistance. Unfortunately, taxpayers are not getting top dollar results. In Haiti, buildings are in shambles. Mounds of trash cover the streets and electrical grids are substandard. More than a year after the earthquake, only 5 percent of the millions of cubic feet of rubble has been removed. As of November 2010, only 22 percent of shelters had been built. Having been there and seen it for myself, I wonder if these numbers are generous.

The most heart wrenching reality, though, is that many residents are still displaced, living among the filth and destruction. We are talking about hundreds of thousands of people. For those of you in this room looking at this picture, that is a classic sign that says "This rubble has been removed by USAID." They placed the sign in the rubble. That is what they are dealing with in Haiti.

The bottom line is if the agency cannot accurately pinpoint its progress at any given moment, then it is failing to adequately oversee its expenditures. Given USAID's own challenges, I am increasingly concerned about the Direct Assist Program advocated by this administration. Direct Assist provides money directly to foreign governments such as Afghanistan which ranks, according to some, 179th out of 180 for the most corrupt countries in the world.

With recent examples of corruption such as the Kabul Bank, as well as complete lack of oversight infrastructure, I would like to know why the administration believes it to be a good idea to accelerate the direct payments to governments.

We simply cannot trust that a foreign government will provide effective oversight of U.S. money. Necessary oversight tools are limited and accountability cannot be assured. If the Direct Assist Program is indeed part of the administration's foreign policy toward places like Afghanistan, then I urge it to stop immediately.

Part of the oversight discussion should also include an analysis of whether the United States is benefiting from these investments. It appears that in countries such as Pakistan, locals fail to realize that we are even providing assistance. USAID's "from the American people" message is not widely broadcast or, apparently, not very well received.

I look forward to hearing from Administrator Shah on how we can improve in this area. If recipients are not aware that the American people are providing the assistance, then it is questionable whether the United States is getting proper credit for all of its effort.

With the dramatic increase of U.S. foreign assistance, the Federal Government must ensure that it is conducting effective oversight each step of the way.

I look forward to hearing from our panel of witnesses about the successes and challenges they face. This subcommittee is ready to work with the departments in whatever way possible to prevent the waste, fraud and abuse of taxpayer dollars.

I would like to now recognize the distinguished ranking member from Massachusetts, Mr. Tierney.

Mr. TIERNEY. Thank you, Mr. Chairman.

Mr. Shah and Mr. Gambatesa, thank you for waiting so long, our apologies on that. Both the chairman and I wish we were controlling the floor and it wouldn't be that way.

I want to thank you, Mr. Chairman, for convening the hearing. I want to thank Administrator Shah and Inspector General Gambatesa for agreeing to testify here today.

USAID is a critical tool for U.S. foreign policy and international security. In the past decade, we have tasked the agency with tremendous responsibilities for development, for humanitarian assistance and they have done that in some of the most hostile and challenging environments on earth, including Afghanistan, Pakistan, Iraq, Haiti and others. The success of USAID's mission in each of these countries is significantly important.

Lieutenant General John Allen, the President's nominee to be the next Commander of the U.S. forces in Afghanistan, recently spoke regarding the importance of USAID. His remarks are noteworthy. He stated that in many respects, USAID's efforts can do

as much over the long term to prevent conflict as the deterrent effect of a carrier strike group or a Marine expeditionary force.

There are adversaries in the CENTCOM region who understand and respect American hard power, but they genuinely fear American soft power frequently wielded in the form of USAID projects. While the hard power of the military can create trade, space, time and a viable security environment, the soft power of USAID and the development community can deliver strategic effects and outcomes for decades affecting generations.

While foreign assistance may have no natural constituency here at home, it is helpful to hear the strong words of support from Secretary Gates, General Patraeus, and Lieutenant General Allen, for continued congressional funding of USAID's mission.

In today's budget crunch, it is easy to pick on USAID as a soft target for cuts. Those proposed cuts, I think, are short-sighted. Aid is the key to building stronger sovereign governments that can support their own people in all those countries I just cited. While I support fully funding USAID, I have also expressed vocal concerns over the past decade as the agency has struggled to implement robust accountability mechanisms and find appropriate delivery vehicles for aid.

In particular, I have been concerned that USAID has become overly reliant on international contractors as implementing partners, has lost too much internal capacity and has implemented programs without the necessary monitoring and evaluation mechanisms in place. The result has been not only disconcerting levels of waste, fraud and abuse in many projects in Afghanistan, Pakistan and Iraq, but a lack of vision and focus within the agency.

USAID's mission is so important, we simply cannot afford to make these mistakes over and over again, so I am very encouraged by Administrator Shah's USAID Forward Program agenda. Critically, the agenda directly seeks to address the principal concerns that I have raised for many years and that have been featured in hearings before this subcommittee over and over again.

Namely, USAID is planning and procurement implementation reform that should lessen their reliance on large international contractors; USAID is planning to build more internal management and policy capability; and USAID is planning to significantly strengthen its monitoring and evaluation capacity. I look forward to hearing from Administrator Shah today about his progress in implementing this reform agenda and what Congress can do to support it.

The USAID Inspector General also plays a critical role in providing additional oversight and accountability of USAID. I have long advocated that the Inspector General put more personnel in the field and contingency operations to monitor projects directly.

I have also advocated that the Inspector General do more to help USAID build monitoring and evaluation mechanisms into the programs at the beginning of the projects instead of at the end. Toward that end, I was glad to see that USAID's comprehensive pre-award survey of Pakistani institutions to determine their capacity to receive aid and work is implementing partners. I encourage USAID to do more to address the weaknesses that have been identified in these surveys prior to direct funding assistance.

Thank you again, Chairman Chaffetz, for convening this important hearing. I look forward to having the witnesses testify so we can support their efforts in transparency and accountability.

Mr. CHAFFETZ. Thank you.

Do any other Members wish to make opening statements? Mr. Welch.

Mr. WELCH. No.

Mr. CHAFFETZ. Members will have 7 days to submit opening statements for the record.

We are now going to recognize the panel.

We are pleased to be joined by Dr. Shah who is the Administrator of the U.S. Agency for International Development and Mr. Donald Gambatesa, who is the Inspector General for the U.S. Agency for International Development. We appreciate the dedication that both of you have to this country, to the good practices of this country. I know your heart is in the right place and we appreciate you being here today for a candid discussion about how we can make the process better.

Pursuant to committee rule, all witnesses must be sworn before they testify. Please rise and raise your right hands.

[Witnesses sworn.]

Mr. CHAFFETZ. Let the record reflect that the witnesses answered in the affirmative.

We will now recognize Mr. Shah for 5 minutes for his opening statement. I would remind you that additional comments will be inserted into the record. I will now recognize you for 5 minutes for your verbal opening statement.

STATEMENT OF RAJIV SHAH, ADMINISTRATOR, U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT; AND DONALD A. GAMBATESA, INSPECTOR GENERAL, U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT

STATEMENT OF RAJIV SHAH

Mr. SHAH. Thank you, Chairman Chaffetz, Ranking Member Tierney, and members of the subcommittee.

I appreciate the chance to be with you today and appreciate the chance to have a conversation about our efforts to create a more efficient, accountable and transparent government. That goal is one President Obama, Secretary Clinton and I have been working hard to achieve and it is one I have made a top priority when assuming the role of USAID Administrator just 17 months ago.

At its core, USAID is responsible for advancing opportunity and empowering people throughout the developing world. It is a core pillar of our country's national security and foreign policy strategy. We strengthen global food security, improve global health, lay the groundwork for economic growth. In fact, some of our fastest growing trade partners are long time USAID recipients.

We expand democratic rights of disenfranchised citizens around the world, especially in places like we are seeing throughout the Arab world today and we provide crucial humanitarian assistance in response to natural disasters and complex crises, with our teams ready to deploy as they are currently deployed in and around Libya and some of the most dangerous parts of the world.

In over 100 countries, USAID staff carry out our mission by engaging local partners, implementing projects against clear multi-year strategies and evaluating our work so we can learn and improve our results.

Two months after joining the agency, I instituted one of the most sweeping sets of reforms USAID has ever undergone, a package of reforms we call USAID Forward. It is an early outcome of Secretary Clinton's comprehensive Quadrennial Diplomacy and Development Review.

This ambitious set of reforms is changing the way we do business, with new partnerships and emphasis on transparency and accountability and a relentless focus on achieving results for our development dollars. Through these efforts we have rebuilt the agency's budget and planning policy capabilities at no additional cost. At the same time, we have established new oversight structures and vetting systems to ensure our assistance is more transparent and accountable than ever.

My goal is to help the American people see in a transparent way how we spend our resources and what we get as a result. We have started to make this possible by building the Web site, foreignassistance.gov, a clear on-line dashboard that allows users to easily track foreign affairs spending. Our Policy Bureau has created a series of new country development cooperation strategies so we can work with our foreign partners and with our implementing partners to set clear, defined goals sector by sector in programs around the world. We will make those public as we are beginning to do with our programs in an area we call Feed the Future, our global hunger and food security program.

With congressional support, we are improving our business procurement and contracting practices, bringing modern practices to improve and update reporting systems and focusing on working with more local partners and through smaller, more manageable contract mechanisms.

We have created a board on acquisition and assistance review that has already reviewed large programs and broken them into smaller pieces to improve management and competition and how projects are awarded.

Finally, we have established a world class monitoring and evaluation system, one that gets us away from the traditional practice of counting process results and having them reported by implementing partners who carry out the programs, as referenced previously, and one that uses independent, third party evaluations to help us understand what we are getting for moneys we invest.

For example, in 7 of the 15 Presidential malaria initiative countries in which we have made investments to save children's lives from malaria, we recently found through independent evaluation, that we have had a 36 percent reduction in all cause child mortality which means we are saving kids under the age of 5 from all causes because of our malaria program and saving them by the hundreds of thousands of kids a year.

Over time, these shifts and these improvements in our efforts will help us do a better job of managing our programs in sub-Saharan Africa, Latin America and Asia and will particularly help us working in specifically hard areas such as wartime situations in

Iraq and Afghanistan. It is precisely in those settings where we have focused a number of our newer and more aggressive reforms to improve accountability and oversight, to expand the number of times our teammates and colleagues are out visiting programs and seeing how projects perform, and where we have rolled out initiatives like the Accountable Assistance for Afghanistan that is helping to improve oversight not just of contract partners, but of their subcontractors and the results that we are seeking in the Afghanistan project.

Whether we are working in Afghanistan or Zambia, we do so for one very clear reason, development is a core part of our foreign policy and national security around the world. We help by partnering with our troops, in creating exit strategies and keeping them safe. We work to prevent famine and food riots that are destabilizing around the world and in saving millions of children's lives every year, we create the basis for stability and economic growth where people believe it is often difficult to do.

That is why Secretary Gates has said doing development is a lot cheaper than sending soldiers. Because it is so critical to our national security, we look forward to this conversation for me to learn your ideas as to how we can do it better, more effectively and more efficiently.

Thank you.

[The prepared statement of Mr. Shah follows:]

Administrator Rajiv Shah
United States Agency for International Development
Testimony before the House Oversight and Government Reform Committee
Subcommittee on National Security, Homeland Defense, and Foreign Operations
“USAID: Following the Money”
Washington, DC
Wednesday, May 11, 2011

INTRODUCTION

Thank you Chairman Chaffetz, Ranking Member Tierney, and members of the Subcommittee. I appreciate the opportunity to appear before you and thank this Committee for its attention to what I agree is a vital goal: a more efficient, accountable, and transparent government.

That goal is one President Obama, Secretary Clinton and I have all been working hard to achieve—one I made a top priority when assuming the role of USAID Administrator just seventeen months ago.

Prior to joining USAID, I was familiar with many of its historic successes—preventing wide-scale famine during the Green Revolution, promoting democratic transitions in Eastern Europe at the end of the Cold War, and saving lives through the pioneering of technologies such as Oral Rehydration Therapy—but I was also aware of its recent struggles. Across five decades, the Agency had been weighed down by bureaucracy and set back by staffing cuts.

REFORM

Throughout my time with the Agency, I have come to discover that USAID’s struggles were rooted in our processes, not in our people. For years, USAID had been operating without a central budget function or a policy shop. Onerous reporting requirements from Washington kept many of our officers behind their desks and demanded that our Missions focus on outputs at the expense of outcomes.

Those experiences, and the vital feedback of our staff, led me to institute one of the most sweeping sets of reforms USAID has undergone in its history—which we call “USAID Forward” – and which is an early outcome of Secretary Clinton’s Quadrennial Diplomacy and Development Review.

This ambitious reform effort is changing the way USAID does business – with new partnerships, an emphasis on innovation, and a relentless focus on results.

As a first step, we have reinvigorated the Agency’s policy capacity to serve as the intellectual nerve center for USAID, promulgating cutting-edge creative and evidence-based development policies and strategies and reintroducing a culture of research, knowledge-sharing and evaluation.

We are also rebuilding the Agency's budget planning capacity to ensure that we are effectively aligning resources against country strategies, and making difficult trade-offs in a constrained budget environment. This year alone, we made tough calls to eliminate bilateral development assistance to 11 countries, either because we deemed that corruption would undermine the effectiveness of our assistance or because rapid growth had made it unnecessary.

And at Congress' request, we are changing our business and procurement processes – contracting with and providing grants to more and varied local partners, and creating true partnerships to create the conditions where aid is no longer necessary. To achieve this, we are streamlining our processes, increasing the use of small businesses, building metrics into our implementation agreements, and using host country systems where it makes sense to do so.

At the same time, we have established new oversight structures and vetting systems to ensure our assistance is more accountable than ever – particularly in non-permissive environments or where we are contemplating direct government-to-government assistance.

Because we work in some of the poorest, most dangerous and difficult terrain in the world— from sites of active conflict in Yemen to extremely poor regions in Bangladesh and south Sudan—USAID is working hard to ensure we spend every tax dollar in the most effective, efficient and transparent way we can, even under constraints or threats of violence.

To address the unique circumstances of the operating environment in Afghanistan, where more than one hundred staff, implementing partners, and foreign nationals working on USAID projects suffered casualties in the last year alone, we put in place the Accountable Assistance for Afghanistan initiative to reduce subcontracting layers, tighten financial controls, enhance project oversight, and improve partner vetting.

But new, rigorous and accountable structures are not unique to our engagement in Afghanistan. Indeed, I recently stood up a division within the Agency dedicated to tracking contractor performance and compliance with U.S. federal requirements. And we are aggressively tackling these issues to be more proactive in regards to suspensions, debarments, or corporate administration agreements, as necessary.

In addition to this permanent unit, I have created a new suspension and debarment task force led by our Deputy Administrator and staffed with talent across our Agency. This task force will provide a coordinated effort to closely monitor, investigate and respond to suspicious activity.

A central component of our oversight is the close partnership we maintain with the Inspector General—who joins me here today—to rapidly identify and respond to fraud, waste and the abuse of taxpayer dollars. These efforts recently led to the suspension of one of our largest contractors, sending a clear message that we intend to hold all our partners to strict account.

But ensuring that each dollar we spend has the greatest benefit for the American people and our security, means changing not only how we partner with others, but how we hold ourselves accountable for real outcomes.

Through these reforms, we are establishing a world-class monitoring and evaluation program that will now allow us to accurately and rigorously determine the results of all our major programs—emphasizing the quantitative while not forsaking the qualitative. When programs are successful, we will look to scale them up. But when we learn that a program has not produced results warranting taxpayer money, we will scale it back or shut it down, and learn from our experience. In either case—success or failure—we will release the results of our evaluations publicly, within three months of their completion so that you, your colleagues and the American public can see the results of their investments.

RESULTS

With respect to the impact of our programming, I'd like to mention some of the work that rarely appears in the spotlight – namely, the programs that make up our core business lines: food security, global health, economic growth (including education), democracy and governance, humanitarian assistance, and climate.

Through our Feed the Future initiative we are helping countries develop their own agricultural sectors, so they can feed themselves—an effort that began under President George W. Bush. Through this Initiative, we will ultimately be able to help nearly 18 million people in 20 countries—most of them women—grow enough food to feed their families and break the grips of hunger and poverty.

And our work in global health will allow us to transform HIV/AIDS from a death sentence to a manageable disease for more than 4 million HIV-positive patients, reduce the burden of malaria by half for 450 million people and work to help prevent hundreds of millions of child deaths from preventable diseases by providing them vaccines and bed nets.

NATIONAL INTEREST

But whether we are working in Afghanistan or Zambia, we do so for one very clear reason: development is critical to our country's national security and economic prosperity. Development helps societies grow to be stable and prosperous, reducing the pull of extremism; it increases economic opportunities, by working to build markets for American goods and services; and it demonstrates America's moral leadership in the world.

As Secretary of Defense Gates, Joint Chiefs Chairman Admiral Mullen and General Petraeus have all emphasized, a fully engaged and fully funded national security effort includes the core components of our nation's civilian power.

And for us to be the best able, capable and effective partners to the military, we must ensure that we are investing time and resources not only where they are most needed, but in a manner that best ensures their greatest impact.

In today's world, with the changing landscape in the Middle East and North Africa, the dynamic situations in Afghanistan and Pakistan and a youth bulge in Asia and Latin America that will have a dramatic impact, we cannot allow business as usual to trump vigilance and diligence.

I thank you for the opportunity to appear before the Committee today and discuss these crucial reforms. I hope this begins a dialogue about how we can continue to improve our work.

I look forward to answering your questions.

Thank you.

Mr. CHAFFETZ. Thank you.
I now recognize Mr. Gambatesa for 5 minutes.

STATEMENT OF DONALD A. GAMBATESA

Mr. GAMBATESA. Good afternoon, Chairman Chaffetz, Ranking Member Tierney and members of the subcommittee. Thank you for the opportunity to appear before you to testify on behalf of the Office of the Inspector General for the U.S. Agency for International Development. This afternoon, I will share information about our efforts to promote accountability in foreign assistance programs.

As you know, USAID has primary responsibility for managing and supervising the implementation of its programs and activities. Our role, as Inspector General, is to assist the agency in combating waste, fraud and abuse and by promoting economy, efficiency and effectiveness.

We take our role in, as you call it, following the money very seriously and draw on our highly skilled Foreign Service and Civil Service direct hire employees as well as Foreign Service Nationals to perform this function across our 11 offices in Washington and around the globe.

Since foreign assistance priorities frequently shift, we continually reevaluate our oversight posture and when appropriate, make adjustments to better position ourselves to address emerging risks and challenges. For instance, in critical priority countries and disaster areas, we now have staff living and working in Afghanistan, Haiti, Iraq and Pakistan. Previously, these countries had been served by regional offices.

Our oversight covers the full portfolio of agency programs and extends to more than 100 countries. Our core oversight activities include both financial and performance audits and reviews to complement these efforts with investigations into allegations of criminal, civil and administrative violations.

In fiscal year 2010, we issued over 410 financial audit reports. These audits covered \$8.9 billion in funds and questioned more than \$36 million in costs. Additionally, in 2010, USAID reported that it sustained \$213 million in previously identified questioned costs.

Our performance related reports address program compliance, implementation and results. When we identify areas that require corrective action, we make recommendations for program improvement. Last fiscal year, we issued 66 performance audits and reviews with a total of 423 recommendations.

Additionally, we also have a significant investigative portfolio. Our criminal investigators have full law enforcement authority and investigate allegations of waste, fraud and abuse of U.S. foreign assistance funds and employee misconduct. Currently, we have about 200 open investigations.

In fiscal year 2010, our investigations yielded 12 convictions, 90 administrative actions—contract or employee terminations—and \$104 million in savings and recoveries mainly from criminal penalties, civil judgments and bills of collection. Our criminal investigators also deliver fraud awareness briefings to agency personnel, contractors, grantees and host country representatives. Last year, over 3,400 individuals attended our briefings worldwide.

Agency managers have a positive track record in responding to our recommendations and have developed appropriate plans to address every recommendation that we made last year. We are encouraged that today the agency and its leadership are taking steps to further improve its accountability posture.

USAID has recently worked to improve its performance management by building more results orientation into planning processes and strengthening its monitoring and evaluation programs. To promote sustainability of hard-won development gains, USAID is also doing more to increase its use of host country systems and partners.

As you are aware, many accountability challenges the agency faces are intensified in critical priority countries and disaster areas. Monitoring the progress of these programs in such places as Afghanistan, Haiti, Iraq and Pakistan is often hampered by security concerns, infrastructure related travel restrictions, frequent staff rotations, widespread corruption, weak government institutions and diminished rule of law.

My office is taking a number of steps in response to the accountability challenges in these environments. We have expanded our on-the-ground presence to provide greater audit and investigative oversight, have increased outreach on fraud awareness and do more to promote hotline reporting.

When a program requires enhanced financial scrutiny such as cash transactions and disbursements, we conduct concurrent financial audits so that we can identify questionable expenditures and control weaknesses as soon as possible.

On the investigative front, we leverage external resources by coordinating with other U.S. law enforcement authorities in task force settings and working with local officials to investigate and prosecute crimes. We also monitor implementing partners' internal compliance investigations and do more to hold them accountable for reporting fraud.

Proper stewardship of American tax dollars requires a solid accountability framework. We are committed to working with agency counterparts to ensure that such a framework is in place.

We appreciate your interest in our work and look forward to learning more about your interest and priorities.

Thank you.

[The prepared statement of Mr. Gambatesa follows:]

TESTIMONY OF
DONALD A. GAMBATESA,
INSPECTOR GENERAL,
U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT

BEFORE THE
SUBCOMMITTEE ON NATIONAL SECURITY, HOMELAND DEFENSE,
AND FOREIGN OPERATIONS OF THE
HOUSE COMMITTEE ON OVERSIGHT AND GOVERNMENT REFORM

“USAID: FOLLOWING THE MONEY”

MAY 11, 2011

Chairman Chaffetz and Ranking Member Tierney, I am pleased to appear before you to testify on behalf of the Office of Inspector General (OIG) for the U.S. Agency for International Development (USAID). Today, I would like to share information about our efforts to promote accountability in foreign assistance programs.

OIG was established in 1980 with a mandate to combat waste, fraud, and abuse and promote economy, efficiency, and effectiveness in USAID programs and activities. Our oversight mandate spans the full portfolio of USAID programs and activities, and extends across more than one hundred countries. To execute this mission, we have hired and retained 240 highly-skilled professionals who operate out of our 11 offices in Washington and around the globe. We draw on the skills and expertise of both Foreign Service and Civil Service direct-hire personnel as well as Foreign Service Nationals. This worldwide presence enables us to focus on oversight of Agency programs where they operate.

Our core oversight activities include the conduct and supervision of financial audits, and the execution of performance audits and reviews. We complement these efforts with investigations into allegations of criminal, civil, and administrative violations; and fraud awareness training.

We work in conjunction with USAID and its implementing partners to provide financial audit coverage of Agency programs. We examine USAID's financial statements and report on associated internal controls and legal and regulatory compliance every fiscal year. We supplement these Agency-specific financial audits with audits of recipients of USAID funds. USAID provides for financial audits to ensure that funds that the Agency

provides to external entities are allowable, reasonable, and allocable. USAID determines when to schedule financial audits of its contractors based on assessments of risk and sets requirements for financial audits of grantees. In particular, U.S.-based grantees that expend \$500,000 or more annually in federal funds must submit to organization-wide financial audits every year. Annual financial audits are also required of all foreign non-profit organizations and host government entities that expend \$300,000 or more in Agency funds in a given year. OIG provides oversight of these audit activities by defining financial audit standards, determining the eligibility of local public accounting firms to perform financial audits of USAID funds, ensuring that audits are conducted in accordance with appropriate quality standards, and reviewing and approving resulting reports prior to issuance. When we receive information that indicates more intensive financial oversight of a project or entity may be warranted, we work with Agency officials to contract for additional financial audit assistance. Last fiscal year, OIG presided over 410 USAID-related financial audits. These audits covered \$8.9 billion in funds and questioned more than \$36 million in costs. USAID, in turn, reported that it sustained \$213 million in previously identified questioned costs during FY 2010.

We also conduct audits and reviews with a focus on USAID performance. Our resulting reports address questions relating to program compliance and implementation, but emphasize whether USAID activities are achieving results. When our findings warrant corrective action on the Agency's part, we make recommendations for program improvement. In fiscal year (FY) 2010, we issued 66 performance audits and reviews with a total of 423 recommendations for USAID action.

In addition to our audit-related activities, we have a significant investigative portfolio. Our criminal investigators have full law enforcement authority and investigate allegations of waste, fraud, and abuse of U.S. foreign assistance funds and employee misconduct. We currently have approximately 200 open investigations. Last fiscal year, our investigative work yielded 12 convictions, 90 administrative actions (such as contract or employee terminations), and \$104 million in savings and recoveries (from sources like criminal case restitution payments, civil judgments, and bills of collection).

While our core activities generally follow Agency spending and activity, we also try to be as forward leaning as possible in cultivating accountability in USAID programs. To increase fraud awareness, mitigation, and reporting, OIG delivers fraud awareness briefings to USAID

personnel, contractors, grantees, and host country representatives. Last year, we provided such briefings to more than 3,400 attendees worldwide. In addition, we conduct training for overseas USAID staff, contractors, and grantees to increase awareness of and compliance with U.S. Government cost principles and financial audit and accountability requirements. Last year, we provided this training to 460 attendees.

These oversight and outreach activities provide us with useful information about Agency management systems, controls, and performance. We share concerns we have about USAID's overall standing in these areas in briefings with the Administrator and senior managers and in our annual memorandum to the Administrator on management and performance challenges. I would like to briefly highlight for you some of our related observations about USAID's accountability posture.

To begin with, it is worth noting that Agency managers have a positive track record in responding to OIG recommendations. USAID developed appropriate plans to address every one of the recommendations we made last year.

With respect to USAID's financial management, we have identified room for improvement but generally find its efforts in this area to be consistent with accepted U.S. Government practice. USAID has received an

unqualified financial opinion on its financial statements for 8 consecutive years and continues to make progress in addressing its one associated material weakness. Also to its credit in this area, USAID has responded to the increased risk of funding foreign entities by applying more stringent financial audit requirements to foreign recipients than the Office of Management and Budget requires for U.S.-based recipients.

Much of USAID's funding is channeled through contracts, grants, and cooperative agreements to external entities, so it is vital that the Agency maintain effective assistance and acquisition systems. To help plan, execute, and manage its procurement actions, USAID developed a new acquisition and assistance system and is now in the process of implementing it worldwide. We have been consulting with the Agency to help identify potential system weaknesses.

USAID is currently in the process of outlining and instituting a series of procurement reforms that are intended to increase competition, strengthen the capacity of local organizations, and expand partnerships with a larger number of nongovernmental organizations. These reforms are likely to have a significant effect on the Agency's ability to account for and manage its future awards. In the meantime, USAID continues to try to make progress in ensuring that it employs appropriate procurement instruments by improving

its use of performance-based contracts and limiting reliance on poorly structured cost-reimbursement contracts.

Human capital is an important component of any effective acquisition and assistance system. Regrettably, USAID workforce planning analyses have identified a shortfall in mission-critical contract specialists. USAID missions in critical priority countries have reported an especially acute need for acquisition and assistance professionals. USAID is working to address these shortfalls through hiring targets.

In order to be accountable to taxpayers, Federal agencies need to be able to establish that they are delivering results. USAID's large and diverse portfolio of foreign assistance programs poses a challenge for the Agency in properly managing for results. Our work has frequently identified planning weaknesses and potential improvements in documenting, monitoring, evaluating, and reporting on program performance. For example, OIG audits have often identified inaccurate or unsupported results. In fact, more than a third of the performance audits and reviews we issued in FY 2010 noted that data reported by USAID operating units or their partners were misstated, unsupported, or not validated. As a result, policymakers too often lack access to the quality of data they need to make fully informed decisions about related programs.

USAID has recently taken steps to try to improve its performance management by strengthening its monitoring and evaluation program and working to build more of a results-orientation into its planning processes. Last year, the Agency established organizational units to advance these initiatives. Since then, it has developed more rigorous policies and guidance relating to data collection, data quality, performance indicators, and evaluations. Meanwhile, it has also started to pursue a more structured approach to country-level development planning that requires more upfront attention to prioritizing activities to maximize impact; clear articulation of objectives that programs are intended to address; and more detailed information on the approach the Agency plans to take to meet these objectives.

USAID must also strive to ensure that program benefits are sustained once funding ends. After all, USAID aims to create conditions that will eliminate the need for development assistance in the future. Although our performance audits and reviews typically focus on ongoing assistance efforts, about one in seven of our reports last year identified issues with future project sustainability.

To help ensure that hard-won development gains are sustained, USAID is currently working to increase its use of host-country systems and

partners. By utilizing, rather than bypassing, local systems and partners, the Agency believes that it can invest in other countries' long-term capacity to manage and address their own development needs. To this end, USAID is planning to increase the share of program funds it uses to provide direct support of host governments, local nonprofit organizations, and private businesses abroad. However, the increased use of host country systems will also increase risks to program integrity and accountability.

Many of the accountability challenges USAID faces are intensified in critical priority countries and disaster areas. Monitoring the progress of USAID programs in Afghanistan, Haiti, Iraq, and Pakistan is often hampered by security- and infrastructure-related travel restrictions and frequent staff rotations. In addition, widespread corruption, weak government institutions, and diminished rule of law frequently undercut accountability for program funds.

OIG is taking a number of steps in response to USAID challenges and initiatives to enhance accountability for foreign assistance funds. To begin with, we employ a more intensive oversight program in critical priority countries and disaster areas where risks to Federal funds are greatest. Rather than providing oversight on a regional basis as we do elsewhere in the world, we concentrate staff in these countries and focus our staff efforts

exclusively on oversight of USAID activities there. Our personnel commitment to oversight in these countries is demonstrated by the fact that our largest overseas offices are located in Afghanistan and Pakistan. We use this expanded on-the-ground presence to provide greater audit and investigative coverage, engage in increased outreach on fraud awareness, and do more to advertise hotline reporting. When we receive information that a program requires enhanced financial scrutiny, we conduct concurrent financial audits of project costs so that we can identify questionable expenditures and control weaknesses as soon as possible. In these settings, we also redouble our monitoring of higher-risk practices such as cash transactions and disbursements. On the investigative front, we leverage external resources by reinforcing internal compliance systems of implementing partners, coordinating with other U.S. law enforcement authorities in task force settings, and working with local officials to investigate and prosecute crimes.

In response to the Agency's efforts to increase its use of host-government systems, we are doing more to work with host-country accounting firms and Supreme Audit Institutions to build their capacity to conduct financial audits that meet U.S. Government auditing standards and guidelines. We continue to monitor USAID procurement reforms that are

intended to increase the use of host-country systems and have consulted with Agency officials on attendant risks and mitigating strategies. To provide greater assurance that foreign government ministries that ultimately receive direct U.S. assistance have needed systems and controls, OIG has also reviewed USAID ministry assessments and recommended improvements in the assessment process. In Pakistan, where USAID is expanding direct government assistance programs, we are working to ensure that the general population has access to information in local languages on how to report fraud, waste, and abuse. To further enhance oversight in Pakistan, we have also trained our investigative personnel on local procurement laws so that they can work more effectively with local law enforcement and prosecutors to respond to related allegations.

We are also planning future efforts to study aspects of the Agency's overall accountability posture. Our office plans, for example, a post-implementation review of USAID's new acquisition and assistance system to ensure that it is meeting system requirements and user needs. We also plan to examine the extent to which USAID's operating units have made progress in meeting the requirements outlined in the Agency's new evaluation policy and guidance.

Finally, because most of the Agency's work is done by external recipients, we have stepped up efforts to ensure that individuals and firms that have been found to be unfit to receive U.S. funds do not continue to receive grants and contracts. To that end, we have been working more closely with Agency suspension and debarment officials to apply these tools in all cases in which they are called for. USAID has demonstrated increased commitment to suspension and debarment by establishing a Suspension and Debarment Task Force chaired by the Deputy Administrator and staffing up a Compliance and Oversight of Partner Performance Division that supports suspension and debarment actions. These efforts have yielded tangible results, as USAID has taken 48 suspension and debarment actions over the last year and recently suspended one of its largest implementing partners in response to OIG evidence of serious corporate misconduct, mismanagement, and a lack of internal controls that raised grave concerns about the firm's integrity.

Proper stewardship of U.S. tax dollars requires a solid accountability framework. We are committed to working with USAID and its counterparts to ensure that such a framework is in place so that we can provide taxpayers greater assurance that foreign assistance funds are administered with integrity.

Thank you for this opportunity to address the Subcommittee. We appreciate your interest in our work and look forward to learning more about your interests and priorities. I would be happy to answer any questions you may have at this time.

Mr. CHAFFETZ. Thank you. I appreciate that.

I am now going to recognize myself for 5 minutes.

The IG is reporting that “more than one-third of the performance audits and reviews we issued in fiscal year 2010 noted that data reported by USAID operating units or their parents were misstated, unsupported or not validated.” What is your reaction to that, Mr. Shah? Is that accurate?

Mr. SHAH. I don’t believe so. Let me put it this way. The agency and the entire U.S. system of providing foreign assistance and collecting thoughts on impact has been heavily skewed over the last decade to a set of process indicators and reporting against those process indicators the number of people who benefit. What does that mean, people benefit—the number of visits that were made to a particular farmer, what has that accomplished, has that improved yields, has that improved incomes?

In health, the number of insecticide-treated bed nets that are distributed in communities, we have very elaborate, very costly systems for collecting a huge amount of processed data and I believe implementing partners naturally present optimistic data on what comes in that way.

In reaction to that, I, with the Secretary’s strong support, really restructured how we do evaluation in a pretty thorough way. We now approach this by doing what we call impact evaluations. That means when you design a program from the beginning, you understand what your counterfactual is, you collect baseline data and you define what the result you are seeking to achieve is and measure against that.

I would highlight one example if we could put the slide of the Pakistani farmers on the board. During the floods in Pakistan this past year, that wiped out 60 percent of the productive agricultural region and the flood plain around the Indus River. It was a tremendous, tremendous challenge. Pakistan could easily have missed its winter wheat harvest. USAID, working with an organization called the Food and Agricultural Organization, our U.N. partner.

Mr. CHAFFETZ. I am sorry, my time is so short. You have given me 30 minutes of background on this.

Mr. SHAH. I just thought this would be a good example because of instead of tracking things like the number of seeds that were distributed, we did an evaluation and found that because of USAID efforts, we actually saw 60 percent improvement in the winter wheat harvest in that context. It was specifically targeting those farmers who had lost their farms and productive livelihoods.

Mr. CHAFFETZ. I have no doubt that the good men and women of the USAID are doing a lot of good, but when you have an Inspector who says more than one-third of what is being reported is inaccurate, to be kind, and at worse, it is outright fraud, as the oversight committee we are left wondering where is all this money going to.

Having visited with you, not in a hearing, I know you share part of this concern. Do you have anything specifically to refute what the Inspector General is coming up with? Can you point to something and say he was wrong in this instance? Do you have any specific example where that one-third number is overstated in itself?

Mr. SHAH. I do. I think the Inspector General would probably suggest if we looked at impact evaluations and assessed the credibility of our impact evaluations as they stand against our evaluation policy that we put in place under my leadership, that would not be an accurate statement, to say that a third of impact evaluations were fraudulent.

Mr. CHAFFETZ. Let us ask him. This is fiscal year 2010 which you were involved with. Is your one-third number accurate or not?

Mr. GAMBATESA. The number is a roll up of various aspects of what we do. When we say there is inadequate data, we are saying either the data is not there or the implementing partner cannot provide the data or the data is inaccurate. The one-third number is a roll up of a number of different audits. We could go back and figure this out.

Mr. CHAFFETZ. The concern is it is so overwhelming, it is so huge. We have four specific examples I put out there that had the appearance of outright fraud. We have to get to the bottom of whether or not it is accurate and what are we doing. Mr. Gambatesa, let me ask, when you find something that is unsubstantiated, when you find something you believe is fraudulent, you talked about the convictions, how do you deal with that? Is that for the Department of Justice? How does that work?

Mr. GAMBATESA. First of all, these weren't necessarily fraud.

Mr. CHAFFETZ. Some were and some weren't I understand.

Mr. GAMBATESA. That doesn't mean they were all fraud. I don't want to overstate the issue there.

If we have allegations of fraud or develop potential fraud in programs, then we have our own investigators that go out and investigate this. If we have enough evidence or probable cause to go forward, then we will take it to the Department of Justice for prosecution. If we can't get prosecution from the Department of Justice for whatever reason, we will try local prosecution either with the local Afghanis or the local Pakistanis.

Mr. CHAFFETZ. Thank you.

My time has expired. I will recognize Mr. Tierney for 5 minutes.

Mr. TIERNEY. Thank you.

Mr. Gambatesa, were those reports you were just discussing all under Mr. Shah's direction that they were cited or were they his predecessor's?

Mr. GAMBATESA. They were all issued in fiscal year 2010. Some of them may have started before Mr. Shah took office, yes.

Mr. TIERNEY. Mr. Gambatesa, let me ask you about the Gardes Coast Road Project in Afghanistan. Are you familiar with that?

Mr. GAMBATESA. Yes.

Mr. TIERNEY. So you are familiar with the New York Times report recently that the contractors on that project in eastern Afghanistan were making protection payments to the Akani affiliated individuals for security?

Mr. GAMBATESA. That was the allegation, yes.

Mr. TIERNEY. Are you investigating those allegations?

Mr. GAMBATESA. Yes. Let me say this. We have looked into those allegations. We are looking into other allegations. That specific allegation you addressed, we have looked into. However, we have not

been able to affirm that. We are not going to get a Taliban individual to testify about that sort of thing.

Mr. TIERNEY. Interestingly, we did. If you read the report that had to do with the trucking contract, we did just that, so if we can be helpful in any way or if you want to talk to our staff, we would be happy to do that.

Administrator Shah, what kind of visibility do you have into the operations of the security contracts?

Mr. SHAH. Let me offer three or four thoughts on that. First, under this administration, we have more than tripled our physical staff presence in Afghanistan in order to make sure we had enough support on the ground to improve oversight and accountability. Today, we have more people outside of Kabul, in the field, visiting projects, than we did when I started, in all of Afghanistan.

Two, we have expanded our accountability efforts through a program we call Accountable Assistance for Afghanistan. That includes improved project monitoring and oversight, it improves an effort to put in place 100 percent local cost auditing, it includes an effort to expand partner vetting and it includes efforts to do program design in a manner that enables more access to information. All of those things are helping us do a better job of being transparent and accountable in the assistance program there.

I do want to highlight that this is a war zone and the Gardes Coast Road is a good example of a place where I believe 19 of the workers on the road have died in the process of helping to construct it. There have been 364 security incidents.

The priority to do that project is part of a civilian-military integrated plan that this is part of our campaign plan.

Mr. TIERNEY. If I can interrupt you, that is all understood, as were the trucking contracts, but the bottom line comes down to when you start contracting and subcontracting, there is a real question of visibility and a policy question, is this good policy. Everyone wants to be safe, but is this good policy that somebody is paying off people and that money might be used detrimental to our men and women.

I appreciate your answer on that, but what steps are you using to reduce the reliance on contractors, what steps are you taking to make sure you have visibility into the contractor and the subcontractors in those instances, and what steps are you taking to improve the accountability in the performance of that and the avoidance of fraud?

Mr. SHAH. That is a great question with respect to private security contractors. We have actually taken a number of steps in conjunction with the government in Afghanistan to provide more regulation and transparency of private security contractors' behavior and where resources go.

In many cases, we have broken down awards into smaller components so we have more reporting visibility on both primary contracts and subcontracts including private security contracts. We have put a pretty aggressive vetting system in place together with the intelligence and defense communities in Afghanistan in order to make sure we are collecting all information possible on potential actors that are risks and then taking action as we did in the situation where we have information that is actionable.

We have expanded our accountability efforts so that we do 100 percent local cost auditing so we can track as much of that money as possible. All of these efforts have uncovered real cases and resulted in very specific actions that we have taken including the Coast Gardes Road.

Mr. TIERNEY. The Inspector General made what I thought was a very good recommendation about increasing the number of direct hire personnel, particularly for those things inherently governmental in nature. How is your progress on that and what are your plans in the future for that?

Mr. SHAH. If we could put up the process slide, I could share that in more detail. There are a number of steps in our processes that I believe are important that direct hire personnel conduct or do that USAID staffs. Among them are program design, partner selection, some degree of monitoring. Often you can extend your capacity to monitor with third parties and with Foreign Service Nationals staff, but some participation and monitoring, then accountability and oversight.

We have actually done that very aggressively. We have been executing a program called The Development Leadership Initiative designed to increase the number of Foreign Service officers at USAID. We have brought in about 650 new Foreign Service officers between the last year of the Bush administration and the first 2 years of the Obama administration.

I think on a bipartisan basis, together with the military, there has been recognition that we needed to reverse a 15-year, 37 percent attrition in the basic human resources of the agency. We are well on our way to accomplishing that.

Mr. TIERNEY. Thank you.

Thank you, Mr. Chairman.

Mr. CHAFFETZ. I will recognize the gentleman from Idaho, Mr. Labrador, for 5 minutes.

Mr. LABRADOR. Thank you, Mr. Chairman.

Thank you for being here, both of you.

I am a freshman Member of Congress, I am new to all these things. I am new to learning about USAID and all the things that you do. I can tell you I have never been more frustrated in my life as when I was in Afghanistan and were asking a single question, a simple question to the USAID workers: How many projects have you started with the money we spent and how many projects have you completed? We spent about 45 minutes asking that question and we could not get an answer. The numbers were being thrown out, it was 70, it was 50. They didn't know how many projects they had started.

We told them that we wanted that information. We wanted to know how many projects had been started, how many projects had been completed and we did receive quite an extensive response, but we still didn't get the final information we were asking for.

How do you actually know the project has been completed? We know when the start date was, we know when the end date was and we know how much money was spent.

One of things that I was most frustrated about was when we asked what were your results, the answer was the result was we spent X amount of money. That is all they knew, how much money

had actually been spent. This was the beginning of this year, so this was not something done under the prior administration. This was something recent, the beginning of this year.

You say that you have gone through a different process. I think you said before they were using a process result and now you are using a different process, but at the beginning of this year, they still did not know and they did not know how they could verify. Can you explain that to me, Mr. Shah?

Mr. SHAH. Thank you for that point. I take very seriously your point about results. I think at the end of the day we have to be able to articulate what we are getting for the resources we have spent.

In Afghanistan, since 2002, for example, there was a situation where there were 900,000 boys in school, no girls. Today, there are 7 million kids in school, 35 percent are girls in large part because of programs we have put in place. We can go into the next layer of detail to identify how many teachers we have trained and what the outcomes are related to that.

In health, we have seen a 22 percent drop in infant mortality as a result of expanding a basic package of health services which used to reach 9 percent of the population. Now it reaches 64 percent of the population and it has been a longstanding USAID program with the Ministry of Public Health that has delivered that result.

In energy, which is a difficult sector, we have gone from 6 percent of Afghans with access to electricity to more than 14 percent today, including providing around the clock power in Kabul, and including providing enough technical assistance to the local electricity authority so that we have been able to double revenue collections on an annualized basis so they have a sustainability plan for those efforts.

To me, it is very important that we can go sector by sector like that and document how much we are spending and what we are getting as results. We do have systems that allow for that.

Mr. LABRADOR. So why wasn't that system in place 3 months ago when we asked that simple question. It was not like we came in the dead of night without any announcement that we were coming. They knew we were coming.

Mr. SHAH. I don't know why. That is the kind of data that we collect on a regular basis.

Mr. LABRADOR. We don't even have that information now. We asked for those specific results. They told us how much money they are spending, they told us when they started the project, they told us when they ended the project, but we did not get to this point, they knew you were going to be testifying here, we still don't have that information.

Mr. SHAH. I just shared some of that information. We can do that sector by sector. I think what you are looking at is some version of this spreadsheet which is how we basically track projects and programs against strategic priorities. We do that mission by mission.

The reality is, when we get a request with a great deal of specificity, it may or may not be this data pulled that does it and we have to construct something else, but I would just step back and validate your point that I think it is important that sector by sec-

tor, we can describe a specific set of results or aspirational results. We should be able to do that.

I am not sure who you specifically spoke to and in what context, but our education team is the one that tells me this and we have our leader for the program sitting right behind me. Who talks to them on a weekly basis and we do regular reviews so we know we are on track. A lot of times we are not on track and we make changes and course corrections in that process.

Mr. LABRADOR. Thank you. My time is up.

Mr. CHAFFETZ. I recognize myself for another 5 minutes.

Do you have a list of schools in Afghanistan that we have helped build, yes or no? You gave us some substantial numbers. When can I get a copy of that list?

Mr. SHAH. An actual list, school by school?

Mr. CHAFFETZ. Yes.

Mr. SHAH. We could construct that. I don't know that we have that.

Mr. CHAFFETZ. So how do you come up with the metric if you don't even have the list?

Mr. SHAH. I don't have it right in front of me.

Mr. CHAFFETZ. I know, but I am asking how long will it take for you to produce that and give that to this committee? Ronald Reagan once said, trust but verify. You throw out some spectacular statistics. I want to see it, I want to actually see the schools. I want to know where they are, because quite frankly, I don't believe you, because based on the statistics that I am hearing from the IG, a third of what you have reported in the past is fraudulent. Can you give me that list and when will I have it on my desk?

Mr. SHAH. We can get you the list and I will find out how long it will take us and let you know.

Mr. CHAFFETZ. A month? Is that fair, 30 days?

Mr. SHAH. Yes, a month is probably fair, but let me come back and verify that.

Mr. CHAFFETZ. Let me ask, Mr. Gambatesa, how do you react to the metrics he talked about, particularly for Afghanistan?

Mr. GAMBATESA. We do our audits based on risk, so we don't audit every program or every dollar in every program. As I said earlier, when we make a statement that a third, it is a third of the things we have looked at.

Also, I wouldn't say that every one was fraud. You used the fraud and I would not say that every one is fraudulent. They could be just mis-charged and the agency is getting the money back, so I wouldn't use the word fraud.

Mr. CHAFFETZ. Or unsubstantiated. What I worry about is we have all these metrics thrown out, we have done this and we have 7 million people in school, but there is nothing to verify that. That is what we are supposed to be doing.

Let me specifically address Haiti because that is one of the biggest human atrocities I have ever seen in my life. It is the saddest thing I have ever seen.

The IG is saying that only 5 percent of the rubble, in an optimistic case, has actually been cleared. Do you dispute that number, Mr. Shah?

Mr. SHAH. The latest numbers I have seen are between 10 and 20 percent. They are validated by the International Haitian Relief Coordinating Committee, so I think that is the most updated version.

Mr. CHAFFETZ. I was there, I couldn't see any of it, if they are clearing it.

Mr. SHAH. We can put up a slide on rubble removal.

Mr. CHAFFETZ. Go ahead. I would like you to show this slide because I have a point about this slide as well.

Mr. SHAH. OK. I would just make the point.

Mr. CHAFFETZ. Is this the slide you were hoping for?

Mr. SHAH. Yes.

Mr. CHAFFETZ. I want everyone to look closely at this slide. If I cleaned the garage growing up, my mom would have kicked my butt. That is not cleaned up, you scooted it over. Half that picture is rubble that is still there.

Mr. SHAH. I have been to Haiti probably 10 times, including prior to being in this job, prior to the earthquake and then many times after the earthquake. There were 10 plus metric tons of rubble created because Haiti is fundamentally the poorest country in the western hemisphere.

Mr. CHAFFETZ. I think the estimate was 20 to 30.

Mr. SHAH. That is not pushing it aside, sir, I think that really is clearing roads and walkways. I will say the team we asked to create the rubble removal plan for Haiti worked with a range of international partners. It was the same team led by a gentleman named Mike Burn who led the effort in New York City after the World Trade Center.

Mr. CHAFFETZ. Let us keep going. Five percent results after 16 months is totally unacceptable. When I visited with the Ambassador, he said we weren't going to participate in any more rubble cleanup.

Based on the spreadsheet that we got there, which didn't feel very complete to me, there were six contractors that received over \$16 million. Three of those six contractors, based on the spreadsheet that was handed to me when I was in Haiti, said that the work has been complete.

How can we justify 5 percent of the rubble being cleaned up, having spent tens of millions of dollars and three of our contractors saying, yes, I am done, I did what I was supposed to do?

Mr. SHAH. Actually, the new numbers are 10 percent and in that context, the actual amount of rubble that has been removed is more than was removed 2 years after the Aceh tsunami situation. When you look at it compared to situations like the World Trade Center or Aceh in Indonesia, it is a standard result.

Mr. CHAFFETZ. What percentage of the rubble would you think was actually cleaned up by us, by the United States?

Mr. SHAH. In general, we are about 10 percent of total commitments in the overall reconstruction. We have been about 25 percent of the realized spending, so the commitments are what donors pledged and the realized are what donors spent.

Mr. CHAFFETZ. How much money is that total? I know there is money that comes from various agencies. How much money are we putting into Haiti? How much has been spent?

Mr. SHAH. In total, the supplemental is about \$770 million and in addition to that is about \$220 million a year in standard funding through ESF.

Mr. CHAFFETZ. Plus we have outside donors, right, the Red Cross and others?

Mr. SHAH. Outside donors, yes.

Mr. CHAFFETZ. You are close to a billion, plus the Red Cross, plus what else, a bunch of celebrities from Sting to Bono to everybody?

Mr. SHAH. Yes, but celebrities don't spend as much money. Other countries have made big commitments.

Mr. CHAFFETZ. I read one report that they raised \$50 million plus in some telethon.

Mr. SHAH. Yes, presumably.

Mr. CHAFFETZ. There has been over a billion spent and you say 10, the IG says 5 percent of the rubble has been cleaned up.

Mr. SHAH. First of all, all this money is not for rubble removal. In fact, we have worked very hard to try and get other donors and other partners to participate in rubble removal because frankly, it is a less sexy thing than some of the other potential investments.

I would say overall, it is important to recognize that Haiti is the poorest country in this hemisphere. Before the earthquake, the rates of access to clean drinking water or safe, modern sanitation were very low. The number of children stunted in Haiti was over 50 percent. That means kids go to bed hungry, grow up with chronic deprivation, not getting enough protein.

Mr. CHAFFETZ. I have gone well beyond my time. I recognize what a difficult situation this is.

One last very quick answer, how many USAID people work full time on Haiti?

Mr. SHAH. Probably around 200.

Mr. CHAFFETZ. I will now recognize Mr. Tierney for 5 minutes.

Mr. TIERNEY. Tell us a bit about what is being done in Haiti with the 200 people and the resources we are spending there and how it is structured, who has the lead, what is the role of USAID in comparison to the other organizations that might be involved?

Mr. SHAH. In terms of what has been done, we actually are very proud of the fact that USAID was able to coordinate a major inter-agency, whole of government response to what was the largest natural disaster we have ever experienced. More than 230,000 people lost their lives. In that context, we mounted the largest and most effective humanitarian response ever. We fed more than 4 million people during those first few months when there were real challenges in access to food and security.

We worked together with the international partners to help provide emergency shelter to 1½ million people. We supported, together with others, more than 1 million people getting access to specific vaccines. Today, more people have access to clean drinking water in Haiti than they did before the earthquake because of some data base decisions we made to make sure that as water was distributed, chlorine tablets and basic education was provided to help people protect themselves.

Of the rubble, we think between 10 and 20 percent has been removed. In sectors like agriculture and health, we have pursued a

very strategic focus. In agriculture, for example, which is 60 percent of the total employment in Haiti, we focused on four very specific areas of production.

We have worked with private partners like Monsanto and others to help get improved hybrid seed varieties to those farmers and we have seen in many different instances, a doubling of actual crop yields, measured and verified, that leads us to believe that the Haiti agricultural sector can become a more vibrant sector going into the future.

We also helped establish an industrial park in the north that will create 5,000 jobs next year on the way to creating 20,000 jobs by attracting a Korean company and others for manufacturing. We have worked with partners like Coca-Cola to help create a juice industry, in that case with mango juice in particular, so that the core productive assets of the country are contributing to the economy and employment.

You can't judge the effort in Haiti in 1 or 2 years. It will be a longer term effort. Haiti has been a very poor country for a long time. We have been very focused on taking the time to do deliberate planning and coordination in order to make sure this time around the results are much, much better.

Mr. TIERNEY. Is USAID the lead in this overall project?

Mr. SHAH. USAID works in coordination with the Department of State and other agencies.

Mr. TIERNEY. Who, what country, person, entity is in charge of the bottom line on whatever might be the overall strategy of where we are going to try to let this country take itself?

Mr. SHAH. We have a special coordinator at the State Department, Tom Adams and Cheryl Mills.

Mr. TIERNEY. The United States has taken on the responsibility of heading this whole thing?

Mr. SHAH. No, I shouldn't say that. The government of Haiti is responsible for their reconstruction. There is an Interim Haiti Reconstruction Commission that has been created that is co-chaired by the Prime Minister of Haiti and by former President Clinton, that has been incredibly helpful in bringing all the donors together under the government of Haiti's plan.

Mr. TIERNEY. What kind of technical expertise does this group have in terms of people that can work with these donors, can plan where the future of this country is going in terms of employment, sustainability and things of that nature?

Mr. SHAH. It has some specific technical expertise and it draws on resources inside the government, at USAID and other partners to do exactly those tasks.

I will note that during the earthquake, 28 of 29 ministries collapsed, 15 percent of the senior level work force.

Mr. TIERNEY. I am trying to get a figure on that. After this, obviously everyone was trying to survive, get people going and keep them alive and make ends meet. Are we at the stage now where we think we have stabilized a little bit and somebody is saying, here is the grand plan going forward or are we not there yet, are we still putting tourniquets on bleeding problems?

Mr. SHAH. At this point, we are in the phase of reconstruction. It will be a long and challenging process, but we is one where we really do have to focus on trying to build better.

Mr. TIERNEY. The design is an overarching design of what we are constructing toward?

Mr. SHAH. Absolutely. The Haitian government strategy is about decentralized economic development in specific targeted regions to restart the agricultural economy and to promote industrialization and jobs, and to do it in a way that helps people have economic opportunities outside of Port-au-Prince so it takes more demographic pressure off of Port-au-Prince. That type of strategy is one we support fully and our programs are aligned against that strategy and our programs are limited to those areas where we might be the lead donor or partner creating space for other partners to lead in other sectors, other international donors and partners.

As I mentioned before, overall, we are about 10 percent of the total commitments to Haiti and about 25 percent of current realized expenditures in terms of donor participation.

Mr. TIERNEY. Thank you.

Mr. CHAFFETZ. I now recognize the gentleman from Idaho, Mr. Labrador for 5 minutes.

Mr. LABRADOR. Mr. Shah, according to a recent memorandum from Mr. Gambatesa, he stated that monitoring the progress of USAID programs in Afghanistan and Pakistan has become more and more difficult as funding is directed to the areas that are most insecure. In Pakistan, for example, much of USAID's assistance is directed to the federally administered tribal areas where USAID employees cannot travel.

Audit work in Afghanistan and Pakistan, the Office of the Inspector General has reported that security conditions have either hindered program accomplishment or has the potential to create implementation problems. We actually made that same observation when we were there. We were told by USAID workers there that we had a lot of difficulty going into those areas. To conduct many of its audits, the IG's office will employ locally owned contractors to conduct oversight.

The question to you is, do you agree with those assessments and what specifically are you doing to fix this problem?

Mr. SHAH. When I started, I certainly felt that we needed to get out and see our projects in a more effective manner. There are two or three strategies we have deployed in Pakistan to accomplish that task.

The first is we worked on security to make sure we have security as we go, but taking risks in getting out there. In fact, even in Fatah and neighboring areas, we have had more than 160 staff visits to the sites and projects over the last 6 months.

Second, we have built some mechanisms that use third party monitoring and evaluation personnel, mostly local but often very highly qualified engineers that can look at road projects and conduct a specific assessment or educational specialists that can go into a school and make a careful assessment of what is taking place. We are increasingly getting more data and information from those types of partners out there doing that.

Third, as I mentioned previously, is to make sure in project design, we are collecting baseline data against certain types of counterfactual situations so we can say in a statistically validated and verified way that kids are learning more because of the following programs.

In Fatah and in some of the contested areas, we use a mechanism called the Office of Transition initiatives that has been able to get out and support quite a lot of activity from building roads to improving schools. They actually are able to produce GIS maps that will document where their projects and programs are in the community. That has also been a very helpful strategy to accomplish that task.

Mr. LABRADOR. Do you visit the actual projects in those areas?

Mr. SHAH. Yes, our staff would visit those projects and our Pakistani third party partners would also visit when they might have more time to conduct careful assessments.

Mr. LABRADOR. How do you verify completion of the projects?

Mr. SHAH. We do visits, we rely on reporting from implementing partners, we rely on the third party evaluation mechanisms to make those assessments as well.

Mr. LABRADOR. Mr. Gambatesa, do you agree with the statement just made by Mr. Shah? Could you please address to what extent has inadequate contractor oversight or activities resulted in money lost to the American people?

Mr. GAMBATESA. We have the same problem, obviously, in getting out to Fatah and some of the regions to the north. We haven't been able to get out into some areas like Punjab and places south. Obviously, the agency has the same issue. We also use, as you mentioned in your remarks, third parties, other audit firms that we will hire, local audit firms, to go out and help us with our review and doing our audit work. The Agency is doing the same thing basically, so I agree that they are doing that.

Mr. LABRADOR. To what extent has the inadequate contract oversight or activities management resulted in money lost to the American taxpayers?

Mr. GAMBATESA. It is difficult to quantify that but obviously without proper oversight, it is difficult to determine that, both our inability to get out there and sometimes the agency's inability to get out there and verify. To put a dollar value on it, I am not sure I could do that. I imagine we could probably come up with something like that.

As I said earlier, when we go out and do audit reviews, we are not looking at every program or every dollar of every program. We are taking a slice of it and actually looking at it at a point in time. It is sort of a snapshot in time from when the program began to when it ended. If it is a 5-year program, it would not be very worthwhile for us to look at it during the first year. We have to give it time to mature and we look at it at a point in time.

Talking about the rubble earlier, we looked at it at a point in time where the rubble in Haiti was only 5 percent. Now, the Administrator says that has improved. I cannot confirm or deny that because we haven't gone back and looked at it again. I am certain if that is what he is saying, that is true. To put an actual dollar value on that, I can't do that. I don't think we can.

Mr. LABRADOR. Thank you.

Mr. SHAH. Can I add a thought? When I joined the comment about the morgue, I read that and Don and I had a conversation about it. I actually read it out loud to my senior staff and said, this is exactly why we are launching USAID Forward because we are not going to rely on these sort of processed indicators that were reported by the very partners that do the implementation.

When I say that in Pakistan we have reached 620,000 farmers through the flood relief efforts, or that we have built 280 schools through our stabilization program in Fatah and those areas, that is information that is coming to us now from third party monitors.

It would be ideal to always have U.S. direct hires able to be out there assessing all of these specific things, but that is not always possible and are pursuing this work because it is a core part of an integrated national security strategy. We need to do it to help keep our country safe and to help in some dangerous parts of the world provide opportunities to people to have an alternative to a path that is threatening to us.

I just want to say that because I think that is an important shift in how we think about monitoring evaluation and results reporting that is highly relevant to our reform agenda.

Mr. CHAFFETZ. Thank you. I now recognize myself again for 5 minutes.

I want to go back to Haiti and talk specifically about shelters and the lack of progress there. I am referring to the Office of Inspector General audit of USAID's efforts to provide shelter in Haiti, an audit report issued April 19th of this year.

Mr. Gambatesa, that report says as of January 6, 2011, grantees had repaired 1,875 houses but their goal was 14,375. Can you help me understand what the lack of progress is due to?

Mr. GAMBATESA. Our audit report made several findings and recommendations to solve the findings. It seemed some of the problem had to do with variations in cost, quality standards were different. Also, there was an issue with customs and 8 out of 11 grantees experienced delays clearing customs from 6 weeks up to 5 months. So they couldn't get the parts in.

Mr. CHAFFETZ. Let us put it in perspective. There are home repairs but there are also the shelters. The shelters that I saw, and this is where I am asking for clarification, roughly 12 feet x 12 feet. These are not some big, massive apartment complexes, this is a very, very basic slab of cement, four walls and a tin roof. Those are the same shelters I was looking at that you are talking about here. The report says USAID, OFDA has the projected shortfall of 65 percent in meeting its goal.

Mr. Shah, these numbers are so off base. They are so short of the nearly a million people there living amongst waste, feces, I saw rats running around the school. We are so short of the goals, how do we answer that to the American people who have poured their hearts and about a billion dollars into such lack of progress?

Mr. SHAH. Two things I think are noteworthy about that. First, the initial strategy was to build as much temporary shelter as possible. I think that is what you are referring to.

Mr. CHAFFETZ. How many temporary shelters have we built?

Mr. SHAH. We have currently built 20,000 on the way to getting to 33,000 but the initial strategy was to build many more which I acknowledge. As we were in the process of doing what they call assessments of just over 400,000 structures that were home structures, they found a certain percentage were red homes that needed to be demolished.

Mr. CHAFFETZ. Can I go back for a second? The audit report says by June 30, 2010, grantees had completed only 1,883 shelters. That number is a bit old. You are now saying that number is over 20,000?

Mr. SHAH. It is 20,000, yes.

Mr. CHAFFETZ. Is that your finding of the number of shelters that have been completed, 20,000?

Mr. GAMBATESA. Again, we haven't gone back and looked at it.

Mr. SHAH. It has been a year pretty much.

Mr. CHAFFETZ. It says as of November 15th, grantees had built only 7,179 transition shelters, 22 percent of USAID's target.

Mr. SHAH. Right, so you can see the rate.

Mr. CHAFFETZ. What is the difference between a transition shelter?

Mr. SHAH. I think this conversation so far has all been about transitional shelters. They are structures with plywood supports that start with tarp and over time you can put corrugated tin and other materials to make it a longer term shelter but they start as transitional shelters.

Mr. CHAFFETZ. Part of my frustration was part of what I saw was a bunch of tarps. They said USAID on them, but these are not some Coleman tent that you would buy, these are literally a tarp on four pieces of plywood.

Mr. SHAH. Right. They are transitional shelters. The tarp actually meets a certain set of what we call sphere standards that can withstand wind and rain and other things.

Mr. CHAFFETZ. The more permanent shelters, which I understand having read the material, are intended to only last 3 years, how many of those have been completed?

Mr. SHAH. The transitional shelters can last 3 years as they are built up with tin and other building materials.

Mr. CHAFFETZ. My question is, how many of the more semi-permanent structures have been built because there are shelters and then there are temporary shelters? How many of the shelters have been built? The IG put them in two different categories.

Mr. SHAH. The two categories I would use, and I don't want to answer in the wrong way, are temporary shelters that are tarp and plywood-based structures that can be improved over time that can last for 1, 2 to 3 years. The primary strategy of repairing the yellow and green homes so they can be permanent structures for families or building homes, they could be permanent structures for families. We have those three primary strategies.

This particular IG report refers to the Office of Foreign Disaster Assistance that was doing just the temporary shelters. In a strategic shift we made sometime last year based on the data that there were many more homes that could be fixed that people could go back to than we initially thought was to say we would do fewer

temporary shelters and more yellow house repairs and green house returns because that was more cost efficient.

Mr. CHAFFETZ. That is the number I am citing in this report. The commitment from USAID was 14,375 houses but it only completed 1,800. Is there an updated number?

Mr. SHAH. I don't have it at my fingertips, but we can get it to you.

Mr. CHAFFETZ. That would be most appreciated because we are talking about a magnitude of a million people, are we not?

Mr. SHAH. We have come down from having 1½ million people in tarps, tents and temporary shelters to now 680,000. I would note there are two important factors to think about. One of the roadblocks on rubble removal has been the inability to get enough staging sites from the government of Haiti, so we continue to work with the government. I think we are optimistic that they will manage to find sites that would allow the international community and the Haitians to accelerate the rubble removal and create the space for the new housing.

Mr. CHAFFETZ. My time has more than expired.

I now recognize the chairman of the full committee, Mr. Issa, of California.

Mr. ISSA. Thank you, Mr. Chairman.

I will followup on that. I have been following USAID for 11 years from when I was on the Foreign Affairs Committee. If you don't have the cooperation of the host country, why is it you don't come back to the committee with jurisdiction and say, we are being impeded from meeting our goals because you are talking about abysmally failing.

If this were New Orleans, you would be fired. FEMA got fired for doing a better job than you are doing in Haiti, didn't they, as far as accomplishment? I am not talking about your effort.

Mr. SHAH. I would just note that in Haiti, we are somewhere between 10 and 25 percent of the effort and I don't think we want to assume, as we might if we were in a domestic situation, assume total responsibility.

Mr. ISSA. Let us go another way. Haiti is the poorest country in the western hemisphere, \$1,000 in Haiti is a whole year's money; a billion dollars for a million people is \$1,000 a person. Am I off by a factor of 10 or am I right, a thousand thousands is a million and a million thousands is a billion.

You spent \$1,000 per capita if you looked at a million people, and I realize I am using loose numbers and so on, but you spent a whole year's salary per person and you tell me you haven't been able to clear away most of the rubble away. I want to know is when you do not have the cooperation of the host country to a sufficient level, even if we are 10 percent, the other 90 percent have the same concern.

Why is it you don't come back to the Congress and obviously to the State Department that you work with and say, we are unable to meet our mission, we are wasting money, we are having people, 680,000 by your own number, still suffering more than a year out without homes?

Mr. SHAH. First, I would just say, on the money, of the billion dollars that has been spent, about \$700 million was spent in the

first 3 or 4 months as part of the response. Certainly, giving each person a certain amount of cash in that context would not have met the needs we were able to meet, food distribution to 4 million people, thousands of surgeries that saved hundreds of lives.

Mr. ISSA. We are talking about a billion dollars is our 10 percent?

Mr. SHAH. Right. That money hasn't been spent yet. Some of it has been obligated, but that billion dollars has not been spent.

Mr. ISSA. Let me switch gears for a moment to the IG. This is the closest we could be to a disaster outside our United States, virtually. Haiti is about as close as anywhere you are going to get except maybe Canada or Tijuana. If we can't do better in Haiti, what does that say about our ability to have a poor country that needs 10 or 20 million people taken care of, whether it is us by ourselves or the world? Are we organized for success on this scale, based on what you have seen in Haiti? You can just say no and I would be happy.

Mr. GAMBATESA. It is difficult to answer that question.

Mr. ISSA. Let me ask it another way. I was in the Army, I put up temporary shelters. Whether they are canvas or they have some plywood, I have certainly seen them in Afghanistan and Iraq, our soldiers are often living in something similar.

In your estimation, we go in and if we want to put a million people in those types of temporary shelters, isn't this a goal that America should be able to meet in a matter of, if not weeks, a couple of months when you look at the sub-components and the fact that the human beings you are trying to help are the work force to put them up? It doesn't take special machinery, it doesn't take bulldozers, it doesn't take heavy lift. All it takes is the delivery of the materials and once the port was operational, could have been delivered enough for everyone. Isn't that true?

Mr. GAMBATESA. I would think so, in a perfect world.

Mr. ISSA. Haiti is not a perfect world, we get that, but once the port was opened and our President committed to provide real relief, what went wrong that we are here talking about various numbers, but ultimately we are debating about how big a failure to bring relief in appropriate numbers to Haiti? Did you lack money? Did you lack resources that America could have supplied? Did you lack the willingness of the government to cooperate? Was there great waste? Was there an absence of people willing to put up their own shelters? I certainly think the last one we can assume, there were plenty of people willing to put up their own shelters.

Mr. SHAH. I would step back and suggest that characterizing the large scale humanitarian resource as a failure would be something I would take great issue with.

Mr. ISSA. Wait a second. I appreciate that, I wasn't talking about that, although to be honest, media did a very good job of telling the world that it wasn't so good, but that was a televised event where the cameras were on. Today's hearing is really about the inability to accomplish, with the moneys given, what the goal was in a timely fashion after the camera lights went off. If you would limit your answer to that, I would appreciate it.

Mr. SHAH. Right now we are pursuing a comprehensive reconstruction strategy with the government of Haiti. We are primarily

taking the lead in a few specific sectors, agriculture, health and energy.

Mr. ISSA. With the indulgence of the Chair who is temporarily out, because I am not getting the answer. There you are, you leaned forward. With the indulgence of the Chair who is here, but leaning back in his chair, you have mission creep right here. I think what I have seen in the reports, in the IG's reporting, and you agree to in a way, is you didn't accomplish the originally stated mission, you have gone from soft housing to working on hard housing, but you are not dealing with 1½ million in totality because before you ever got everyone into soft housing, you have made shifts through the process, so you are always working on a next program that is different than the one you didn't accomplish. Would that be even a little bit fair?

Mr. SHAH. No, I don't think so, not with respect to housing. It was never our goal, as Americans, to directly build temporary shelters for the 1½ million displaced Haitians. A big part of the strategy was to enable as many returns as possible to rural communities, to other cities and to de-intensify Port-au-Prince. We supported that effort and had 400,000 to 500,000 people leaving Port-au-Prince into host country arrangements. We provided a lot of support for that and logistics for that which was very important, but that was a government decision that we supported.

Mr. ISSA. Because my time has expired and they have been very indulgent, let me ask for a yes or no. Are you satisfied with the work you have done as a model for the effort of USAID in the western hemisphere?

Mr. SHAH. Sir, I am never satisfied with anything. I always think in this business and this industry of saving lives and helping people who are vulnerable.

Mr. ISSA. Give yourself an A through F score, please.

Mr. SHAH. I would say the initial humanitarian response was tremendous.

Mr. ISSA. You give yourself an A for the original response. What about today?

Mr. SHAH. I don't know that I would ever use an A for anything but I would say that was a tremendous initial response. I think we would generally have had more success with more rapid rubble removal and housing type issues if we had a confluence of factors including more specific support from our partners and the government of Haiti to identify land for staging sites and to support some of the issues that were faced at the port and with respect to customs. In general, we respect the fact that we are not in charge of Haiti, we operate in a bilateral partnership with the elected Government of Haiti and we respect that and work within that framework.

Mr. ISSA. Thank you. Mr. Chairman, thank you for your indulgence.

Mr. CHAFFETZ. Thank you.

I would now recognize the gentleman from Massachusetts, Mr. Tierney.

Mr. TIERNEY. Thank you.

I think we are all trying to get at the same thing here in different ways and it is a bit why I asked the question earlier about

whether or not there is an overarching plan of what everybody hopes to accomplish long term, and if that plan would then identify which country or entity is responsible for what aspects of it and then an idea of how much money each entity or aspect of a country would be expected to expend to accomplish that end, and how do we measure where we are going against it.

Is there a set of documents you could present to the committee that would show us that?

Mr. SHAH. Yes.

Mr. TIERNEY. OK. If you would do that, I would appreciate that and we would put that on the record, Mr. Chairman.

The other thing is I know you say the initial response was tremendous. It was an incredible burden on everyone and the response on that. There was a period of time after that when there was some difficulty determining who in the Haitian government was going to respond to give direction, is that correct?

Mr. SHAH. President Preval ultimately is and was accountable for those decisions and we have been in constant direct communication with him and with his Prime Minister.

Mr. TIERNEY. I think you mentioned there were 29 ministries that were in pretty sad shape after the earthquake?

Mr. SHAH. Twenty-eight out of 29 ministries had collapsed.

Mr. TIERNEY. I would assume that gave some level of difficulty in getting organized and getting direction for a number of things?

Mr. SHAH. That is correct.

Mr. TIERNEY. I think that, in and of itself, would probably cause some waste or misspent money at some point in time, not for intention to be wasteful, but for circumstances.

Mr. SHAH. That is also why we helped set up the interim Haiti Recovery Commission which is co-chaired by the Haitian Prime Minister and President Clinton. It includes as board members a number of major donors and multilateral partners. That was a mechanism that helped bring together people at precisely a time when the Haitian government was clearly recovering from a tragedy that we can only begin to imagine.

Mr. TIERNEY. If I can step back from Haiti and look at the broader picture of what USAID is doing, you have talked about some of the aggressive reform agenda items that you want to implement. A lot of them address some of the concerns this committee and I have had personally on accountability, on transparency, on trying to bring in-house those inherent governmental functions, bringing in people trained and if we have to have contractors, people who at least can manage the contractors and monitor them and hold them accountable. It seems to me you are progressing in that area.

If the budget were cut to the extent that has been proposed for the 2012 budget to \$37 billion and within 4 years after that, down to \$29 billion, is that something that is workable to continue that reform agenda and get that accomplished while your budget is shrinking? How do you assure people, if not, I assume you are going to say not since you put in the budget, how do you assure us that money is well spent and not running into some of the difficulties we have heard here today?

Mr. SHAH. No, sir, if we were to face the almost 30 percent across the board cut, we would not be able to continue any of our reform

effort. In fact, the most important, in my mind, is our procurement and contracting reforms that is very consistent with your writings and public speeches about this subject.

We are relying very much on our ability to invest in expanding our procurement work force, to hire 70 specific civil servants who have the expertise to help us shift from cost reimbursement to fixed price contracting and to use more milestone-based performance award mechanisms, which we have built and are now propagating out, but it takes unique expertise to put that in place and to make that work.

We are on a path. It is important to maintain that path in order to be able to achieve the vision we are talking about.

Mr. TIERNEY. Mr. Chairman, I am not going to ask anymore questions. I would like to look at the material that Mr. Shah is going to provide. We have a history of over a decade now, probably two decades of hollowing out USAID and eviscerating the personnel who had the experience, the training and the capacity to not only get US aid out to countries and have them work well, but also to monitor the money, do the accounting and make us feel more comfortable.

On the one hand, we have hollowed it, on the other hand, we are complaining that we are not getting the accountability and transparency that we want. It seems to me if we continue down the path of hollowing it out and not providing the resources, we are just creating the situation we say we want to solve.

On the other hand, Mr. Shah, I do think there is a responsibility to show this committee in real time that improvements are being made and a lot of these concerns are being addressed, and that there are substantial savings on that basis moving forward. I don't think the patience level is going to last forever, notwithstanding how important some of us think development and aid is in terms of our national security picture.

Thank you. I yield back.

Mr. CHAFFETZ. Thank you.

In closing, Mr. Gambatesa, I just want to give you a last opportunity. Is there something else you wanted to share with the committee that you planned to share but didn't have an opportunity to address?

Mr. GAMBATESA. No. The only thing I would like to say is that most of our audit work comes up and inherently it points to negative. We do accentuate the positive when it is there, but primarily we are looking at ways to improve programs, so for improving programs, we are saying it isn't working properly.

I have to admit that many of the issues Mr. Tierney mentioned, the issue of staffing, many of our audit reports have indicated that the staffing is a significant issue at USAID. The issue of procurement reform, I am very heartened by Dr. Shah's movement toward fixing some of these problems and I hope they will work. I think they will with his leadership. I believe he is pushing the agency in the right direction and I think with the proper support and proper budget support, many of these issues we have identified in the past can be fixed.

Mr. CHAFFETZ. I appreciate that. To the men and women who work specifically with you, I know they are small in number and

you go into some of the most difficult situations on the face of the planet. We appreciate their efforts and I want them to recognize the value Congress places upon their work. I know it is hard for them to be away from their families and whatnot.

The same would be said for the people around the world serving in USAID, a lot of good people with the right heart, dedicating their time and talents, away from their families, difficult security situations, difficult living arrangements. I don't want to detract from their good efforts.

It is the responsibility of the Congress to hold people accountable and to provide that data and information. To that end, I do think the agency is failing to provide data to this body in a timely fashion. Members of Congress spend a great deal of time flying, at great taxpayer expense, to visit these situations around the world. Uniformly, we have the most difficult time getting the most basic information.

I just want to have your ongoing commitment that we are going to be able to access that real time data, what has been accomplished, what are we spending and then be able to see what is actually being spent. I think the American taxpayer should know where their billions of dollars are being spent.

Mr. SHAH. You certainly have my commitment. I would invite you personally and other members of the committee to come potentially with me on some of these trips. I appreciate your deep interest in the reform effort we are taking. I think we are implementing the most aggressive reform across any Federal agency. I think it is very important and I welcome your ideas and thoughts on how to make it better.

To the extent that you are continually interested in this, I would also like the opportunity to demonstrate some of our programs like Feed the Future which is working in 20 countries targeting moving 18 million people, including 7 million kids, out of the state of poverty and hunger which really does bring together so many of the best practices of what we have learned about development in terms of private sector engagement, accountability and conditionality and putting in place the kind of measurement systems that let us know in a very, verified way, that we are saving lives and improving livelihoods around the world.

Mr. CHAFFETZ. I appreciate that. I think I speak for Members on both sides of the aisle in saying we want you to be successful. We have human lives depending on it. We allocate a lot of resources in order to do this.

With that said, I need to say one more time because there have been good relief efforts, probably the immediacy of what happened in Haiti, but having seen it myself, having read this report, having gone through it, my own personal assessment, 16 months after that devastating earthquake in Haiti, I think the totality of the U.S. response has been pathetic and disappointing, despite a lot of money moving in that direction and undoubtedly a number of lives that have been saved, but we still have hundreds of thousands of people living in conditions no American could probably even fathom how bad it is.

When you have metrics that say a third of the performance audits for the Department were either misstated, unsupported or not

validated, that raises a lot of red flags. When we are arguing about whether or not the rubble removal is 5 or 10 percent, that is a stunning number that is shocking 16 months after the effort.

When we are missing our goal by 65 percent in terms of building the shelters, when we say we have only achieved less than 25 percent of the goal, it is just stunning and disappointing because the resources of the United States being brought to bear, the support you personally got from the President to make this stuff happen and then see those results, again, just looking at the metrics, is devastating. It is disappointing and it is unacceptable. That is my concern.

If we can help moving forward, I look forward to working with you. I appreciate your commitment and your tenacity. I know your heart is in the right place. I appreciate you coming before this committee and spending time with us. There is lots to improve. I appreciate your attitude saying we can always improve.

At this point, we will hold this committee in adjournment. Thank you.

[Whereupon, at 4:45 p.m., the subcommittee was adjourned.]

