



TESTIMONY

Testimony of Dr. Rajiv Shah, USAID Administrator and Donald Gambatesa, Inspector General

USAID: Following the Money

Before the Subcommittee on National Security, Homeland Defense, and Foreign Operations
Committee on Oversight and Government Reform
U.S. House of Representatives
May 11, 2011

REPRESENTATIVE JASON CHAFFETZ (R-UT): Good afternoon. The committee will come to order.

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

The – today's hearing is entitled "USAID: Following the Money." I want to thank both parties, again, for being here today. And 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 U.S. 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 contractors, and non-profit, non-governmental organizations, often referred to as NGOs.

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 the – Inspector General Gambatesa's written testimony today, quote, "Our work has frequently identified planning weaknesses and potential improvements for documentering – 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 parents were misstated, unsupported or not validated," end quote.

This is a staggering observation. This analysis is consistent with some of the things that I've seen, quite frankly, in both – in Afghanistan, Pakistan and Haiti. A recent IG memorandum drafted to Administrator Shah reported that USAID implementing partners overstated numbers of beneficiaries in Iraq.

Specifically – let me highlight a few of them – 262,482 individuals reportedly benefited from medical supplies that were purchased to treat only 100 victims of a specific attack. Twenty-two individuals attended a five-day mental

health course, yet 1.5 million were reported as beneficiaries. A hundred and twenty-three thousand were reported as benefiting from water and well activity that did not produce potable water. Two hundred and eighty thousand 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 completed projects from local USAID offices. And among other things, my requests included a number of projects and projected and annual – and actual costs, and whether USAID had verified the completion of the project. Officials in each country could not produce this most basic information.

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

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

The most heart-wrenching reality, though, is that many residents are still displaced, living among the filth and destruction. And we're talking about hundreds of thousands of people. For those of you in this room, if you're 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. And that's what they're dealing with in Haiti.

You also – the bottom line: 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 – by 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 a complete lack of oversight infrastructure, I would like to know why the administration believes it would be a good idea to accelerate the direct payments to government. 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're even providing assistance. USAID's, quote, "from the American people," end quote, 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 assistance, then it is questionable the United States is getting proper credit for all of its effort. With the dramatic increase of foreign assistance, the federal government must ensure that it's conducting effective oversight in each and every step.

Look forward to hearing from our panel of witnesses about the success and challenges they're – face. The subcommittee is ready to work with the departments in whatever way possible to prevent the waste, fraud and abuse of taxpayer dollars.

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

REPRESENTATIVE JOHN TIERNEY (D-MA): Thank you, Mr. Chairman. Thank you.

Mr. Shah, Mr. Gambatesa, thank you both for waiting so long. And our apologies on that. Both the chairman and I probably wish we were controlling the floor. It wouldn't – it wouldn't be that way. I want to thank you, Mr. Chairman, for convening the hearing. And I want to thank Administrator Shah and Inspector General Gambatesa for agreeing to testify here today.

What USAID is, is a critical tool for the United States foreign policy and for national security. In the past decade, we've tasked the agency with tremendous responsibilities for development, for humanitarian assistance. And we've done that in some of the most hostile and challenging environments on earth, including Afghanistan, Pakistan, Iraq and 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 mutual – no natural constituency here at home, it's helpful to hear the strong words of support from Secretary Gates, General Petraeus, Lieutenant General Allen for continued congressional funding of USAID's mission. In today's budget crunch, it's 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 that I just cited. And while I support fully funding USAID, I've also expressed vocal concerns over the past decade as the agency has struggled to implement robust accountability mechanisms and find the appropriate delivery vehicles for aid.

In particular, I've 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'm very encouraged by Administrator Shah's USAID Forward program agenda. Critically, the agenda directly seeks to address the principal concerns that I've raised for many years and that have been featured in hearings before this subcommittee over and over again. Namely, USAID is planning procurement and implementation reform that should lessen the 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 the Administrator Shah today about his progress in implementing this reform agenda and what Congress can do to support it. And the USAID inspector general also plays a critical role in providing additional oversight and accountability of USAID. I've long advocated that the inspector general put more personnel on the field in contingency operations to monitor projects directly. I've 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.

So 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 as 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 the important hearing. I look forward to having the witnesses testify so we can support their efforts of transparency and accountability.

REP. CHAFFETZ: Thank you. Do any other members have – they wish to make opening statements? Mr. (Welch ??)?

Members will have seven days to submit opening statements for the record. And we're now going to recognize the panel.

We're 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's in the right place. And we appreciate your being here today for a candid discussion about how we can make the process better.

Pursuant to committee rules, all witnesses will be sworn in before they testify. If you'd each please rise and raise your right hand.

(Witnesses are sworn in.)

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

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

ADMINISTRATOR RAJIV SHAH: Thank you, Chairman Chaffetz, Ranking Member Tierney, 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's one that I've made a top priority when assuming the role of USAID administrator just seventeen 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're 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's 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's 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've rebuilt the agency's budget and planning policy capabilities at no additional cost. At the same time, we've 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 results. We've started to make this possible by building the website foreignassistance.gov, a clear online 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're improving our business of 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've 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 in how projects are awarded.

And finally, we've established a world-class monitoring and evaluation system, one that gets us away from the practice – the traditional practice of counting process results and having them reported by implementing partners who carry out the programs, as was referenced previously, and one that uses independent third-party evaluation to help us understand what we're getting for monies we invest.

For example, in seven of the 15 Presidential (sic/President's) Malaria Initiative countries in which we've made investments to save children's lives from malaria, we recently found through independent evaluation that we've had a 36 percent reduction in the – in all – in all cause child mortality, which means we're 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 and Latin America and in Asia, and will particularly help us working in specifically hard areas such as wartime situations in Iraq and Afghanistan. It's precisely in those settings where we've focused a number of our newer and more aggressive reforms to improve accountability and oversight, to expand the number of times our

teammates and our colleagues are out visiting programs and seeing how projects perform, and where we've rolled out initiatives like the Accountable Assistance for Afghanistan, or A-cubed, initiative, that is helping to improve oversight not just of contract partners but of their subcontractors and of the results that we're seeking in the Afghanistan project.

Whether we're 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, creating exit strategies and keeping them safe. We work to prevent famine and prevent 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 often is difficult to do.

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

Thank you.

REP. CHAFFETZ: Thank you. I now recognize Mr. Gambatesa for five minutes.

DONALD 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 an 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're calling 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 re-evaluate 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 a hundred countries. Our core oversight activities include both financial and performance audits and reviews. We 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 – these are 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 – our briefings worldwide.

Agency managers have a positive track record of 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 program.

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 all aware, many of the 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 to – 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 framework – such a framework is in place.

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

REP. CHAFFETZ: Thank you. I appreciate that. We're now going – I'm now going to recognize myself for five minutes.

The IG is reporting that, quote, "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 parents were misstated, unsupported or not validated." What's your reaction to that, Mr. Shah?

ADMINISTRATOR SHAH: Well, you know, when I – when I started at USAID, I was –

REP. CHAFFETZ: First of all, let me ask, is that accurate?

ADMINISTRATOR SHAH: I don't believe so. I – but I – well, let me – 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 – you know, 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? Even in health, the number of insecticide-treated bed nets that are distributed in communities.

And we have very elaborate, very costly systems for collecting a huge amount of process data. And I believe implementing partners naturally are – present optimistic data on what comes in that way.

So 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 evaluation. And 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're seeking to achieve is and then measure against that.

REP. CHAFFETZ: Yeah, I –

ADMINISTRATOR SHAH: And I would – I would just highlight one example. I don't know if we could put the slide of the Pakistani farmers on the board there. But 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. And it was a tremendous, tremendous challenge. Pakistan could have easily missed its winter wheat harvest.

USAID, working with an organization called the Food and Agriculture Organization, a U.N. partner –

REP. CHAFFETZ: Sorry, I – my time is so short –

ADMINISTRATOR SHAH: OK.

REP. CHAFFETZ: I'm sure you could give me 30 minutes of background about this.

ADMINISTRATOR SHAH: Sure. Well, I just thought this would be a good example, because instead 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 a 60 percent improvement in the winter wheat harvest in that context. And it was specifically targeting those farmers who had lost their farms, their productive livelihood –

REP. CHAFFETZ: I have no doubt – I have no doubt that the good men and women in the USAID are doing a lot of good. But when you have an inspector who comes in and says more than a third of what is being reported is inaccurate, to be kind, and at worst it's just downright – outright fraud, then as the oversight committee we're left wondering, where is all this money going to?

And I know, having visited with you not in a hearing, I know that you share part of this concern. Do you have anything specifically to refute what the inspector general is coming up with? I mean, 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?

ADMINISTRATOR SHAH: Well, I do. I – you know, I think if you – if the inspector general – and I think he would – you could ask him; he's right here – (chuckles) – I think he 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 that would no – that would not be an accurate statement, to say that a third of impact evaluations – project –

REP. CHAFFETZ: Well, let's ask him. I mean, this is fiscal year 2010, which you were involved with. Is your one-third number accurate or not?

MR. GAMBATESA: Well, the number is a roll-up of various aspects of what we do. When we say there's inadequate data, we're saying that we either – either the data's not there or the implementing partner can't provide the data or the data's inaccurate. So the one-third number is a roll-up of a number of different audits. So, I mean, I can go back and – we can go back and figure this out.

REP. CHAFFETZ: The concern is it's so overwhelming. It's so huge. We're not saying – you know, we have very specific for-examples that I put out there that were just – have the appearance of outright fraud.

So we have to get to the bottom of, A, whether or not it's accurate. What are we doing?

And Mr. Gambatesa, let me ask you, when you find something that is unsubstantiated, when you find something that you believe is fraudulent – and you talked about the convictions and things – how do you deal with that? Is that through the Department of Justice? How does that work?

MR. GAMBATESA: Well, first of all, these weren't necessarily fraud. Because –

REP. CHAFFETZ: Some were and some weren't. I understand that.

MR. GAMBATESA: Some were and some weren't. But – doesn't mean that they were all fraud. So I don't want to overstate – I don't want to overstate the issue there.

REP. CHAFFETZ: Understood. Understood.

MR. GAMBATESA: If we have allegations of fraud or develop potential fraud in programs – and we have our own investigators that go out and investigate this, and if we have enough evidence or probable cause to go forward, then we'll take to the Department of Justice for prosecution.

If we can't get a prosecution from the Department of Justice, for whatever reason, we'll try local prosecutions, either with local Afghans or local Pakistani –

REP. CHAFFETZ: Thank you. My time has expired. We'll now recognize Mr. Tierney for five minutes.

REP. TIERNEY: Thank you. Mr. Gambatesa, were those reports that we were just discussing – were those all under Mr. Shah's direction that they were started, or the predecessor?

MR. GAMBATESA: Well, they were all issued in FY '10, so –

REP. TIERNEY: Right. But, I mean, were they started – when were –

MR. GAMBATESA: Some of them may have started before Dr. Shah took office, yeah.

REP. TIERNEY: Thank you.

Mr. Gambatesa, let me ask you about the Gardez-Khost Road project in Afghanistan. Are you familiar with that? (No audible reply.)

OK. So you're familiar with the New York Times report recently that the contractors on that project in eastern Afghanistan were making protection payments to the Haqqani-affiliated individuals for security.

MR. GAMBATESA: That was the allegation, yes.

REP. TIERNEY: OK. Are you investigating those allegations?

MR. GAMBATESA: Yes.

REP. TIERNEY: OK.

MR. GAMBATESA: Well, let me – let me say this. We have looked into those allegations. We are looking into other allegations – (inaudible) – that specific allegation you addressed we have looked into. However, we have not been able to affirm that. We haven't been able to – I mean, how are we going to – we're not going to get a Taliban in to testify to that sort of thing. I mean, it's –

REP. TIERNEY: Well, interestingly, we did. If you read the – (inaudible) – inquiry report that had to do with the trucking contract, we did just that. So if we can be helpful in any way –

MR. GAMBATESA: Sure.

REP. TIERNEY: – and you want to talk to our staff or whatever, we'd be happy to do that.

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

ADMINISTRATOR SHAH: Well, let me – let me offer three or four thoughts on that. The first is, we have, under our – under this administration, we have more than tripled our presence – our physical staff presence in Afghanistan in order to make sure that 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.

Number two, we've expanded our accountability efforts through a program we call A-cubed, or 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 uncovering – are helping us do a better job of being transparent and accountable in the assistance program there.

I do want to highlight, though, that, you know, this is a war zone. And the Gardez-Khost 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. And there have been 364 security incidents. The priority to do that project is part of a civilian-military integrated plan that says this is part of our campaign plan. And so –

REP. TIERNEY: Let me interrupt you if I can. I mean, that's all understood –

ADMINISTRATOR SHAH: Yeah.

REP. TIERNEY: – as with the trucking contracts. But the bottom line comes down to, when you start contracting it out and subcontracting it out, there's a real question of visibility and a policy question. Is this good policy – everybody wants to be safe, but is this good policy that somebody was paying off people and that money then might be being used for things detrimental to our men and women –

ADMINISTRATOR SHAH: So let me just say, the policies – (inaudible) –

REP. TIERNEY: But let me – let me, if I could, on that –

ADMINISTRATOR SHAH: OK. Sorry.

REP. TIERNEY: – because I know it would – I appreciate your answer on that, but – (coughs) – excuse me. So what steps are you using to reduce the reliance on contractors? What steps are you taking to make sure that – your visibility into the contract and the subcontracts in those instances? And what steps are you taking to improve the accountability on the performance of that and the avoidance of fraud?

ADMINISTRATOR SHAH: Well, it's a great question with respect to private security contractors. We have actually taken a number of steps in conjunction with the – with the government in Afghanistan to provide more regulation and transparency of private security contractors' behavior and where resources go. We have, in many cases, broken awards down into smaller components so we have more reporting visibility on both primary contracts and subcontracts, including private security contracts. We've put in place a very aggressive vetting system, together with the intelligence and defense communities in Afghanistan, in order to make sure that we're collecting all information possible on potential actors that are risks and then taking actions, as we did in this situation, when we have information that's actionable.

And we've expanded our accountability efforts so that we do 100 percent local cost auditing so that we can track as much of that money as is possible. All of these efforts have uncovered, you know, real cases and resulted in very specific actions that we've taken, including on the Khost-Gardez Road.

REP. TIERNEY: OK. Now, the inspector general made what I thought were some – was – very good recommendation about increasing the number of direct-hire personnel, and particularly for those things that are inherently governmental in their nature on that. How's your progress on that? And what are your plans for the future for that?

ADMINISTRATOR SHAH: Well, sir, if I could – if we could – well, I won't do the slide. But if we could put up the process slide, I could share that in a little more detail. But there are a number of steps in our processes that are, I believe, important that direct-hire personnel conduct or do, USAID staff. 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 national staff – but some participation in monitoring – and then accountability and oversight.

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

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

REP. TIERNEY: Thank you. Thank you, Mr. Chairman.

REP. CHAFFETZ: The chair recognizes the gentleman from Idaho, Mr. Labrador, for five minutes.

REPRESENTATIVE RAUL LABRADOR (R-ID): Thank you, Mr. Chairman. Thank you for being here, both of you, and I'm a freshman member of Congress. I'm new to all these things, I'm new to learning about USAID and all the things that you do. And I can tell you, I've never been more frustrated in my life as when I was in Afghanistan and we were asking a single question, a simple question to the USAID workers: how many projects have you started with the money that we spent, and how many projects have you completed?

We spent about 45 minutes asking that question and we couldn't get an answer. We couldn't get – the numbers were being thrown out. It was 70, it was 50. They didn't know how many projects they had started. So 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 that we were asking for.

How do you actually know that the project has been completed? We know when the start date was, we know when the aid date (ph) was, and we know how much money was spent. And one of the things that I was most frustrated about was that when we asked what were your results, the answer was, the result was that we spent X amount of money. That's all they knew, is how much money had been actually spent.

And we're talking – this was the beginning of this year, so this is not something that was done under the prior administration. This is something that was recently, the beginning of this year, and they still didn't – you say that you've gone through a different process. I think you called it – before they were using a process results and now you're using a different process. But at the beginning of this year they still did not know how many projects, and they didn't know how they could verify.

Can you explain that to me, Mr. Shah?

ADMINISTRATOR SHAH: Well, 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're getting for the resources we've 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 of them are girls, in large part because of programs we've put in place and we can go into the next layer of detail to identify how many teachers we've trained and what the outcomes are related to that.

In health, we've seen a 22 percent drop in infant mortality as a result of expanding a basic package of health services from – which were – used to reach 9 percent of the population, now it reaches 64 percent of the population and it's been a long-standing USAID program with the Ministry of Public Health that has delivered that result.

In energy, which is a difficult sector, we've 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've been able to double revenue collection on an annualized basis so that they have a sustainability plan for those efforts.

To me it's very important that we can go sector by sector like that and document how much we're spending and what we're getting as a result. And we do have systems that allow for that. I –

REP. LABRADOR: So why wasn't that system in place three months ago?

(Cross talk.)

REP. LABRADOR: I mean, it's not like we just came, you know, in the dead of night without any announcement that we were coming. They knew we were coming.

ADMINISTRATOR SHAH: Yeah. I don't – I don't have – I don't know why. I mean, that's the kind of data that we collect on a regular basis.

REP. LABRADOR: And we don't even have that information now. I still – we asked for those specific results and they told us how much money they're spending, they told us when they started the project and they told us when they ended the project, but we did not get – to this point where they knew you were going to be testifying here – we still don't have that information.

ADMINISTRATOR SHAH: OK. Well, I just shared some of that information. I mean, we can do that sector by sector. I think what you're looking at is some version of this spreadsheet, which is how we basically track projects and programs against strategic priorities, and we do that mission by mission.

The reality is, when we get a request with, you know, a great deal of specificity around what's been sent, you know, it may or may not be this data pool 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 sector we can describe a specific set of results. Or aspirational results. And, you know – and we should be able to do that.

I'm not sure who specifically you were speaking to, in what context, but if they can't – 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 that we know we're on track. And a lot of times we're not on track and then we make changes and course corrections in that process.

REP. LABRADOR: Thank you. My time is up.

REP. CHAFFETZ: Mr. – I recognize myself for another five 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?

ADMINISTRATOR SHAH: An actual list school by school?

REP. CHAFFETZ: Yes.

ADMINISTRATOR SHAH: We could construct that. I don't know that we have that in –

REP. CHAFFETZ: Well, how do you come up with a metric if you don't even have the list?

ADMINISTRATOR SHAH: Well, we have – we do have – I mean, I can – I don't have it right in front of me but I –

REP. CHAFFETZ: I know. I'm asking, how long will it take for you to produce that and give that to this committee? You know, Ronald Reagan once said, trust but verify.

ADMINISTRATOR SHAH: Yes.

REP. CHAFFETZ: You threw out some spectacular statistics.

ADMINISTRATOR SHAH: Yeah. Sure.

REP. CHAFFETZ: 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'm hearing from the IG, a third of what you've reported in the past is fraudulent. Can you give me that list and when will I have it on my desk?

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

REP. CHAFFETZ: A month? Is that fair? Thirty days?

ADMINISTRATOR SHAH: Yeah, a month is probably fair. But let me come back and verify that.

REP. CHAFFETZ: Mr. Gambatesa, how do you react to what he was talking about the metrics, particularly for Afghanistan?

MR. GAMBATESA: Well, we do our audits based on risk and so we don't audit every program or every dollar of every program. So like I said earlier, when we make a statement that a third, it's a third of the things we've looked at. And also, I wouldn't say that every one of them is fraud – and you used the word fraud and I would not say that everyone are fraudulent. They could be just mischarged and the agency is getting money back.

REP. CHAFFETZ: Understood.

MR. GAMBATESA: So I would not – I wouldn't use the word fraud.

REP. CHAFFETZ: Or unsubstantiated. What I worry about is we have all these metrics thrown out, we've done this and we have these 7 million people in school, but there's no – there's nothing to verify that. That is what we're supposed to be doing.

Let me go specifically to Haiti because that is one of the biggest human atrocities I've ever seen in my life. It is the saddest thing I've ever seen. Now the IG is saying that only 5 percent of the rubble – in an optimistic case – 5 percent of the rubble has actually been cleared. Would you dispute that number, Mr. Shah?

ADMINISTRATOR SHAH: The latest numbers I've seen are between 10 (percent) and 20 percent that are validated by the international Haitian relief coordinating committee. So that's, I think, the most updated version. But yes.

REP. CHAFFETZ: I was there. I couldn't see any of it. I mean, if they're clearing it –

ADMINISTRATOR SHAH: Sure. Well, we can put up a slide on rubble removal.

REP. CHAFFETZ: Go ahead. I'd like to show this slide because I have a point about this slide as well.

ADMINISTRATOR SHAH: OK. So let's put that up. And I would just make the point that, you know, we have been –

REP. CHAFFETZ: Is this the slide you were hoping for?

ADMINISTRATOR SHAH: Yes.

REP. CHAFFETZ: I've got to tell you. I want everybody to look closely at this slide. If I cleaned the garage growing up, my mom would have kicked my butt. That's not cleaned up. You scooted it over. Half that picture is rubble that's still there.

ADMINISTRATOR SHAH: I'll tell you. Look, I've 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 million metric tons of rubble created because Haiti is fundamentally the poorest country in the Western hemisphere.

REP. CHAFFETZ: I think the estimate was 20 (million metric tons) to 30 (million metric tons).

ADMINISTRATOR SHAH: And that's not pushing it aside, sir. I think that really is clearing roads and walkways and what they did. I will say that 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 Byrne, who led the effort in New York City after the World Trade Center.

REP. CHAFFETZ: Let's keep going. The estimate by the IG –

(Cross talk.)

REP. CHAFFETZ: We have to keep going. We have to keep going. Five percent result after 16 months is totally unacceptable. When I visited with the – when I visited with the ambassador, he said we weren't going to participate any more, rubble clean-up. Now my understanding is, they were – 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 are – based on this spreadsheet; it was handed to me when I was in Haiti – said that their 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 the contractors saying, yeah, I'm done. I did what I was supposed to do.

ADMINISTRATOR SHAH: Well, actually, you know, the new numbers are 10 percent and in that context the actual amount of rubble that's been removed is more than was removed two years after the Aceh tsunami situation. So when you look at it compared to situations like the World Trade Center or Aceh in Indonesia, it is a – you know, it's a –

REP. CHAFFETZ: What percentage of the rubble would you think would actually be helped cleaned up by us, by the United States?

ADMINISTRATOR SHAH: Well we're – in general we're about 10 percent of total commitment in the overall reconstruction. We've been about 25 percent of the realized spending, so the commitments are what donors pledged and the realized are what donors spent.

REP. 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?

ADMINISTRATOR SHAH: In total about – with the supplemental it's about 770-some million (dollars), and then in addition to that there is about 220 million (dollars) a year in standard funding through ESF –

REP. CHAFFETZ: Plus we have outside donors, right? The Red Cross.

ADMINISTRATOR SHAH: Yes. Outside donors, yes.

REP. CHAFFETZ: Is that – you're up to close to a billion (dollars). Plus the Red Cross. Plus what else? What's the outside? I mean, there was a whole bunch of celebrities, Sting to Bono, everybody.

ADMINISTRATOR SHAH: Yes, celebrities don't spend much money. But other countries have made a commitment.

REP. CHAFFETZ: But they raised – I read one report that they raised \$50-plus million at some telethon.

ADMINISTRATOR SHAH: Fifty million (dollars), yes.

REP. CHAFFETZ: OK, so there's been over \$1 billion spent.

ADMINISTRATOR SHAH: Yes.

REP. CHAFFETZ: And we're saying that – you say 10. The IG says 5 percent of the rubble has been cleaned up.

ADMINISTRATOR SHAH: Yes. Well, there's – first of all, all this money is not for rubble removal. In fact, we've worked very hard to try and get other donors and other partners to participate in rubble removal because it's, you know, frankly a less sexy thing than some of the other potential investments.

I would say overall it's important to recognize that Haiti is the poorest country in this hemisphere, that before the earthquake the rates of access to clean drinking water or safe modern sanitation were very low. The rate of – 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 and not having –

REP. CHAFFETZ: I've gone well beyond my time.

ADMINISTRATOR SHAH: Well, the only reason I say all that is –

REP. CHAFFETZ: I recognize what a difficult situation this is. One last very quick answer. How many USAID people work full-time on Haiti?

ADMINISTRATOR SHAH: Probably around 200.

REP. CHAFFETZ: OK. We'll now recognize Mr. Tierney for five minutes.

REP. TIERNEY: Well, tell us a little bit about what is being done in Haiti with the 200 people and with the resources that we're spending there, and how it's structured. Who's got the lead, what roles the USAID in comparison to the other organizations that might be involved.

ADMINISTRATOR SHAH: Well, you know, in terms of what's been done, I think we actually are very proud of the fact that we – USAID was able to coordinate a major interagency, whole-of-government response to what was the largest natural disaster we've ever experienced. More than 230,000 people lost their lives, and 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 around access to food and security. We've worked together with international partners to help provide emergency shelters to 1.5 million people. We supported, together with others, more than a million people getting access to specific vaccines. And today more people have access to clean drinking water in Haiti than they did before the earthquake because of some database decisions we made to make sure that as water was distributed, chlorine tablets and basic education was provided to help people protect themselves.

You know, of the rubble, we think between 10 (percent) and 20 percent has been removed. And in sectors like agriculture and health, we have pursued a very strategic focus. So in agriculture, for example, which is 60 percent of the total employment in Haiti, we've focused on four very specific areas of production. We've worked with private partners like Monsanto and others to help get improved hybrid seed varieties to those farmers, and we've seen in many different instances a doubling of actual crop yields, measured and verified, that leads us to believe that, you know, the Haiti agricultural sector could become a more vibrant sector going into the future.

We've 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. And we've worked with partners like Coca-Cola to help create a juice industry with, in that case, with mango juice in particular so that, you know, the core productive assets of the country are contributing to the economy and employment.

You know, you can't judge the effort in Haiti in one or two years. It will be a longer-term effort, but Haiti has been a very poor country for a long time, and we have been very focused on taking the time to do deliberate planning and coordination in order to make sure that this time around the results are much, much, much better –

REP. TIERNEY: So is USAID in the lead in this whole overall project?

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

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

ADMINISTRATOR SHAH: We have a special coordinator at the State Department, Tom Adams and Cheryl Mills, who –

REP. TIERNEY: So the United States is taking the responsibility of heading up this whole thing?

ADMINISTRATOR SHAH: No. I shouldn't say that, no. The government of Haiti is responsible for their reconstruction. And there is an interim Haiti reconstruction commission that's been created that is co-chaired by the prime minister in Haiti and by the former president, President Clinton, that has been incredibly helpful at bringing all the donors together under the government of Haiti's plan –

REP. TIERNEY: And what kind of technical expertise does this group have in terms of people that can work with these donors, that can plan out where the future of this country's going in terms of employment and sustainability and things of that nature?

ADMINISTRATOR SHAH: It has some specific technical expertise and it draws on resources inside the government, and at USAID and other partners to do exactly those tasks. I will note that during the earthquake 28 of 29 ministries collapsed. Fifteen percent of the senior level workforce –

REP. TIERNEY: I guess I'm trying to get a figure on that. In the outset after this, obviously, everybody was trying to just survive and get people going and keep them alive and make ends meet. Are we at the stage now where we think we're stabilized a little bit and somebody is saying, OK, here's the grand plan going forward? Or are we not there yet? Are we still putting tourniquets on bleeding problems?

ADMINISTRATOR SHAH: No, at this point we are in the phase of reconstruction, and it will be a long and challenging process, but it is one where we really do have to focus on trying to build back better.

REP. TIERNEY: There's a design, there's an overall, overarching design of what we're reconstructing toward?

ADMINISTRATOR SHAH: Absolutely. The Haitian government's strategy is about decentralized economic development in specific targeted regions for both agricultural – 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 Port-au-Prince so it takes more of the demographic pressure off of Port-au-Prince.

And that type of strategy is one that we support fully and our programs are really aligned against that strategy, and our programs are, you know, limited to those areas where we might be a 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're about 10 percent of the total commitment to Haiti and about 25 percent of current realized expenditures in terms of donor participation.

REP. TIERNEY: Thank you.

REP. CHAFFETZ: I now recognize the gentleman from Idaho, Mr. Labrador, for five minutes.

REP. LABRADOR: Thank you. 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, Pakistan has reported that – the office of the inspector general has reported that security conditions have either hindered program accomplishment or have the potential to create implementation problems. We actually made the same observation when we were there. We were told by the 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.

So the question to you is, do you agree with those assessments? And what specifically are you doing to fix this problem?

ADMINISTRATOR SHAH: Well, thank you. I think – when I started I certainly felt that we needed to get out to see our projects in a more effective manner. There are two or three strategies we've deployed in Pakistan to accomplish

that task. The first is we've worked on security to make sure that we have security as we go, but taking risks and getting out there. And in fact we've had, even in FATA and neighboring areas, more than 160 staff visits to sites and projects over the last six months.

The second is we've 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 specific assessment, or education specialists that can go into a school and make a careful assessment of what's taking place. And we are increasingly getting more data and information from those types of partners that are out there doing that.

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

In FATA 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, and they actually are able to produce GIS maps that will document where their projects and programs are in the community, and that's also been a very helpful strategy to accomplish that task.

REP. LABRADOR: Do you get to the actual projects in those areas?

ADMINISTRATOR SHAH: Yes. Our staff would visit those projects, and our Pakistani third party partners would also visit in a way that – when they might have more time to conduct more careful assessments.

REP. LABRADOR: How do you verify completion of the projects?

ADMINISTRATOR 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.

REP. LABRADOR: Mr. Gambatesa, can you – do you agree with the statement that was just made by Mr. Shah? And also if you could please address to what extent has inadequate contract oversight or activity resulted in money lost to the American people?

MR. GAMBATESA: Well, we have the same problem, obviously, getting out to – in FATA and some other regions to the north there. We haven't been able to get out into some areas like Sind and Punjab and places south, and obviously the agency has the same issue. We also use, as you mentioned in your remarks, third parties, other audit firms that we'll hire local audit firms to go out and help us with our review in doing our audit work. So the administrator obviously is – they're doing the same thing basically, so I agree that, you know they are doing that.

And the second part of your question was?

REP. LABRADOR: Was, you know, to what extent has the inadequate contract oversight or activities management resulted in money lost to the American taxpayers?

MR. GAMBATESA: It's difficult to quantify that, but obviously without proper oversight it's really difficult to determine that. Both our inability to get out there sometimes and sometimes the agency's inability to get out there and verify. So to put a dollar value on it, I'm not sure I can do that. I imagine we could probably come up with something like that, but as I said earlier, when we go out and do audit reports, audit reviews, we're not looking at every program or every dollar of every program. We're taking a slice of it, and we're actually looking at it at a point in time.

It's sort of a snapshot in time from when the program began to when it ended. So if it's a five-year program, it would not be very worthwhile for us to go 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. And, you know, as we were talking about the rubble earlier, well, we looked at it at a point in time where the rubble in Haiti was only 5 percent, and now, you know, the administrator says that's improved. Well, I can't, you know, confirm or deny that because we haven't gone back and looked at it again. I'm certain if that's what Dr. Shah is saying, that's true.

So to put an actual dollar value on that, I really don't – I can't do that. I don't think we can.

REP. LABRADOR: OK. Thank you.

ADMINISTRATOR SHAH: Could I add just a thought? I – look, when I joined, you know, the comment about the morgue that you made, I read that and Don and I had a conversation about it. And I actually read it out loud to my

senior staff and said, this is exactly why we're launching USAID forward because we're not going to rely on these sort of process indicators that were reported in by the very partners that do the implementation.

So when I say that in Pakistan we've reached 620,000 farmers through the flood relief efforts, or that we've built 280 schools through our stabilization program in FATA and those areas, that's information that's coming in to us now from third party monitors. Now 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 we are pursuing this work because it's a core part of an integrated national security strategy and 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 is threatening to us.

And so – so I just want to say that because I think that's an important shift in how we think about monitoring, evaluation and results reporting. That's highly relevant to our reform agenda.

REP. CHAFFETZ: Thank you. I now recognize myself again for five minutes. I want to go back to Haiti and talk specifically about shelters and the lack of progress there. And I'm referring back to this office of inspector general audit of USAID's efforts to provide shelter in Haiti. Audit report issued of April 19th of this year. In that report, Mr. Gambatesa, it says that 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: Well, our report made several recommendations to – well, actually findings and made recommendations to solve the findings. It seemed like some of the problem had to do with variations in cost. Quality standards were different. Also there was an issue with customs. Eight out of 11 grantees experienced delays clearing customs, from six weeks up to five months, so they couldn't get the parts.

REP. CHAFFETZ: And let's put it in perspective. There's home repairs but there's also the shelters. Now the shelters that I saw were – and this is where I'm asking for clarification – roughly 12 feet by 12 feet. These aren't some big massive apartment complexes or something. This is a very, very basic slab of cement, four walls and a tin roof. Is that roughly – I mean, those are the same shelters that I was looking at that you're talking about here.

It says here in your report that USAID, OFDA has a projected shortfall of 65 percent in meeting its goal. Mr. Shah, these numbers are so off base. They're so short of the nearly 1 million people that are there living among waste and feces and 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 \$1 billion into such lack of progress?

ADMINISTRATOR SHAH: Well, you know, there are two things I think that are noteworthy about that. The first is, the initial strategy was to build as much temporary shelter as possible, and I think that's what you're referring to.

REP. CHAFFETZ: But how many temporary shelters have we built?

ADMINISTRATOR SHAH: We've currently built 20,000 on the way to getting to 33,000, but the initial strategy was to build many more –

REP. CHAFFETZ: Right.

ADMINISTRATOR SHAH: – which I acknowledge. But what we did was, as we were in the process of defining – of doing what they called assessments of almost – just over 400,000 structures that were home structures, they found that a certain percentage were red homes that needed to be demolished and –

REP. CHAFFETZ: Can I go back here for a second because I had to find this. In the audit report it says, "By June 30th, 2010, grantees had completed only 1,883 shelters." And you say the number – now that number is a little bit old. You're saying, now saying the number is over 20,000.

ADMINISTRATOR SHAH: It's 20,000, yes.

REP. CHAFFETZ: Is that your findings, the number of shelters that have been completed, 20,000?

MR. GAMBATESA: Well, again, we haven't gone back and looked at it.

ADMINISTRATOR SHAH: It's been a year since then pretty much, and so yes.

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

ADMINISTRATOR SHAH: Right. So I mean, there you can just see the rate.

REP. CHAFFETZ: What's the difference between a transition shelter and –

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

REP. CHAFFETZ: Because I did see a significant – and this is part of my frustration, is part of what I saw was a bunch of tarps. They said USAID on them, but these are literally – I mean, these are not tents that you'd – you know, not some Coleman tent that you'd go buy down at Cabela's. These are literally a tarp on four pieces of plywood.

ADMINISTRATOR SHAH: Well, they are – right. They're transitional shelters. The tarp actually meets a certain set of what we call steer standards that can withstand wind and rain and other things. But the other thing I want to –

REP. CHAFFETZ: But the more permanent shelters, which as I understand having read the material, are intended to only last three years. How many of those have been completed now?

ADMINISTRATOR SHAH: So the transitional shelters can last three years as they're built up with tin and other building materials. But the important thing here is that as we were doing the house –

REP. CHAFFETZ: No, my question is how many of the more semi-permanent structures have been built, because here are shelters and then there are temporary shelters. How many of the shelters have been built? I mean, they categorize – the IG put them in two different categories.

ADMINISTRATOR SHAH: OK, well, the two categories I would use – and I'm just not clear on –

REP. CHAFFETZ: OK. Go ahead.

ADMINISTRATOR SHAH: – I don't want to answer in the wrong way. The two categories I would use are temporary shelters that are tarp and plywood-based structures that can be improved over time, that can last for one to two to three years.

REP. CHAFFETZ: Right.

ADMINISTRATOR SHAH: And the primary strategy of repairing the yellow and green homes so they can be permanent structures for families, or building homes that could be permanent structures for families.

So we have those three primary strategies, and this particular IG report refers to the office of foreign disaster assistance that was doing just the temporary shelters. And a strategic shift we made some time last year based on the data that there were many more homes that could be fixed, that people could go back into 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 a more –

REP. CHAFFETZ: Again, that's the number I'm citing in this report, that the commitment from USAID was 14,375 houses, but it only completed 1,800. Is there an updated number on that?

ADMINISTRATOR SHAH: I don't have it at my fingertips. We can get it to you.

REP. CHAFFETZ: That would be most appreciated. Because we're talking about a magnitude here of like a million people, are we not?

ADMINISTRATOR SHAH: Well, we've come down from having 1.5 million people in tarps, tents and temporary shelters to now 680,000. I would just note there are two important factors to think about. One is, one of the roadblocks on rubble removal has been the inability to get enough staging sites from the government of Haiti. And so we continue to work with the government, and I think we're optimistic that they will manage to find sites that would allow us to accelerate – allow the international community and the Haitians to accelerate the rubble removal and create the space for the new housing.

REP. CHAFFETZ: Thank you. My time has more than expired. Now I recognize the chairman of the full committee, Mr. Issa of California, for five minutes.

REPRESENTATIVE DARRELL ISSA (R-CA): Thank you, Mr. Chairman. And I'll follow up on that. I've been following USAID 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 of jurisdiction and saying we're being impeded from meeting our goals? Because you're talking about abysmally failing.

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

ADMINISTRATOR SHAH: Well, I would just note in Haiti we are somewhere between 10 (percent) and 25 percent of the efforts here. And I don't think we want to assume, as we might if we were in a domestic situation –

REP. ISSA: But let's go another way.

ADMINISTRATOR SHAH: – we should assume total responsibility –

REP. ISSA: Haiti is the poorest country in the Western hemisphere. A thousand dollars 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.

So you spent \$1,000 per capita if you looked at a million people that needed – and I realize I'm using loose numbers and so on. But I'm looking and saying, so you spent a whole year's salary per person and you're telling me you haven't been able to clear most of the rubble away.

What I want to know is when you do not have the cooperation of the host country to a sufficient level – and even if we're 10 percent, the other 90 percent have the same concern – why is it you don't come back to the Congress and to obviously 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.

ADMINISTRATOR SHAH: Well, first I would just say on the money, of the \$1 billion that's been spent, about 700 million (dollars) was spent in the first three to four months as part of the response, and certainly giving each person a certain amount of cash in that context would not have met the needs that we were able to meet, the food distributions to 4 million people, thousands of surgeries that saved hundreds of lives.

REP. ISSA: Right. But we're talking about \$1 billion is our 10 percent.

ADMINISTRATOR SHAH: Right. That money hasn't been spent yet. We've been in a – some of it has been obligated but that \$1 billion has not been spent. That –

REP. ISSA: OK, let me switch gears for a moment to the IG. This is the closest we could be to a disaster outside our U.S., virtually. I mean, Haiti is about as close as anywhere you're 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 (million people) or 20 million people taken care of, whether it's all us by ourselves or the world? Are we organized for success on this scale, based on what you've seen in Haiti?

MR. GAMBATESA: Well –

REP. ISSA: You could just say no and I'd be happy.

DR. GAMBATESA: (Chuckles.) It's difficult to answer that question –

REP. ISSA: Well, let me ask it in another way. I was in the army. I put up temporary shelters, and whether they're canvas or they've got some plywood – and I've certainly seen them in Afghanistan and Iraq. Our soldiers were often living in some of the things similar. In your estimation, if we go in and we want to put a million people into those kinds 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 subcomponents and the fact that the human beings that you're trying to help are in fact the workforce 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 the materials, once the port was operational, could have been delivered enough for everyone. Isn't that true? **ADMINISTRATOR SHAH:** I would think so in a perfect world.

REP. ISSA: Well, I mean, Haiti's not a perfect world. We get that. But once the port was opened and America said – and our president committed to provide real relief, what went wrong that we're here talking about various numbers but ultimately we're debating about how big a failure to bring relief in appropriate numbers to Haiti? Please.

ADMINISTRATOR SHAH: Well – go ahead.

REP. ISSA: 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.

ADMINISTRATOR SHAH: Well, you know, I would just step back and suggest that characterizing the large-scale humanitarian response as a failure would be something I would take great issue with. I think we stepped in –

REP. ISSA: Well, wait a second. Wait a second. I appreciate that. I wasn't talking about that, although to be honest the 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 monies given what the goal was in a timely fashion after the camera lights went off. So if you'd limit your answer to that, I'd appreciate it.

ADMINISTRATOR SHAH: Well, you know, right now we're pursuing a comprehensive reconstruction strategy with the government of Haiti, and we are primarily taking the lead in a few specific sectors – agriculture, health, energy. Other partners like the Canadians are leading in sectors –

REP. ISSA: OK, with the indulgence of the chair, who is temporarily out, let me just – because I'm not getting the answer –

REP. CHAFFETZ: Here I am.

REP. ISSA: – oh, there you are. You leaned forward. With the indulgence of the chair, who's here but leaning back in his chair, you've got mission creep right here. What I think I've seen in the reports and the IG's reporting and you're agreeing to in a way is, you didn't accomplish the originally stated mission.

You've gone from soft housing to working on hard housing, but you're not dealing with 1.5 million in totality because before you ever got everyone into soft housing, you've made shifts through the process so you're always working on a next program that's different from the one you didn't accomplish. Would that be even a little bit fair?

ADMINISTRATOR SHAH: No, I don't think so, not with respect to housing. It was never our goal to, as Americans, directly build temporary shelters for the 1.5 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 4 (hundred thousand), 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.

REP. ISSA: OK, well, because my time has expired and they've been very indulgent, let me just ask for a yes or no. Are you satisfied with the work you've done as a model for the effort of USAID in the Western hemisphere?

ADMINISTRATOR SHAH: Sir, I'm never satisfied with anything. I always think in this business and this industry of saving lives and helping people who are vulnerable –

REP. ISSA: Well, give yourself an A through F score, please.

ADMINISTRATOR SHAH: I – I would say the initial humanitarian response was tremendous, and I have a huge amount –

REP. ISSA: So you give yourself an A for the original response. What about today?

ADMINISTRATOR SHAH: I don't know that I'd ever use an A for anything. But I would say that that was a tremendous initial response. I think we would have generally 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 in 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. But in general we respect the fact that we're 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 –

REP. ISSA: Well, thank you. And Mr. Chairman, thanks for your indulgence.

REP. CHAFFETZ: Thank you. Now recognize the gentleman from Massachusetts, Mr. Tierney for – (off mic).

REP. TIERNEY: Thank you. I won't lean back. I'll be deemed gone or something. (Laughter.) So I think we're all trying to get at the same thing here in different ways. And it's a bit why I asked the question earlier about whether or not there's an overarching plan of what everybody hopes to accomplish long-term, and if that plan would then identify which country or entity is responsible, what aspects of it. And then an idea of how much money each entity or aspect or country would be expected to spend to accomplish that end, and then how do we measure where we're going against it.

Now is that something that – a document or set of documents that you could present to the committee that would show us that?

ADMINISTRATOR SHAH: Yes.

REP. TIERNEY: OK. If you would that, I'd appreciate it, and put that on the record, Mr. Chairman. The other thing is that I know that the initial response you said was tremendous. I mean, it was an incredible burden on everybody, it was a 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?

ADMINISTRATOR SHAH: Well, President Preval ultimately was – is and was accountable for those decisions and we've been in very constant and direct communication with him, with his prime minister –

REP. TIERNEY: But I think you mentioned there were 29 ministries that were in pretty sad shape after the earthquake.

ADMINISTRATOR SHAH: Twenty-eight out of 29 ministries had collapsed.

REP. TIERNEY: All right. And so then I would assume that that gave some level of difficulty in getting organized and getting direction for a number of things.

ADMINISTRATOR SHAH: That's correct.

REP. TIERNEY: And I think that 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 circumstantial conditions.

ADMINISTRATOR SHAH: And that's also why we helped set up the interim Haiti recovery commission, which is co-chaired by the prime minister – the Haitian prime minister and President Clinton. It includes as board members a number of major donors and multilateral partners, and that was a mechanism that helped bring people together at precisely a time when, you know, the Haitian government was clearly recovering from a tragedy that we can only begin to imagine.

REP. TIERNEY: So if I can step back from Haiti and look at the broader picture now of what USAID is doing on that. You've talked about some of the aggressive reform agenda items that you wanted. A lot of them address some of the concerns that this committee has had, and I personally had and the committee has had on accountability, on transparency, on trying to bring in-house those inherently governmental functions, upon bringing in people that are trained, and if we have to have contractors, people that at least can manage the contracts and monitor them and hold them accountable and all that. And you're progressing – it seems to me that you're progressing in that area.

If the budget were cut to the extent that there's been some proposal, 2012 budget to be cut to \$37 billion and then within four years after that down to \$29 billion, is that something that is workable, to continue on that reform agenda and get that accomplished while your budget is shrinking? And how do you assure people that if not – I assume you're going to say not; you put in for the budget – how do you assure us that that money is well spent and not running into some of those difficulties that we've heard here today?

ADMINISTRATOR SHAH: Well, 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 efforts. And 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.

And we are relying very much on our ability to invest in expanding our procurement workforce, 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 built and we're now propagating out. But it takes unique expertise to put that in place and to make that work. And so we're on a path here. You know, it's important to maintain that path in order to be able to achieve the vision we're talking about.

REP. TIERNEY: Mr. Chairman, I'm not going to ask more questions. I would like to look at the material that Mr. Shah is going to put in. But we've had a history of over a decade now, probably two decades of just hollowing out USAID and just eviscerating the personnel that were there that had the experience and had the training and the capacity to not only get USAID aid out to countries and have them work well, but also monitor the money, to do the accounting and make us feel more comfortable.

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

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

Thank you. I yield back.

REP. CHAFFETZ: Thank you. And in closing here, Mr. Gambatesa, I just want to give you a last opportunity. Is there something else that you wanted to share with the committee, that you planned to share that you didn't have an opportunity to address?

MR. GAMBATESA: No. The only thing I'd like to say is that, you know, most of our work, our audit work comes up and inherently it points the negative. I mean, we do accentuate the positive when it's there, but primarily we're looking at ways to improve programs, and so forth, and improving programs we're saying that it isn't working properly.

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

REP. CHAFFETZ: I appreciate that. And to the men and women who work specifically with you, I know they're small in number. You're going into some of the most difficult situations on the face of the planet and we appreciate their efforts. And I want them to recognize the value that Congress places upon their work and I know it's hard for them to be away from their families and whatnot. And the same would be told 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 law, responsibility, though, of the Congress to hold people accountable and to provide that data and information. And to that end I do think that 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 go visit these situations around the world, and uniformly we have the most difficult time getting the most basic information.

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

ADMINISTRATOR SHAH: Well, sir, 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 would also ask that – I appreciate your deep interest in the reform effort we're taking. I think we're implementing the most aggressive reform across any federal agency here. I think it's very important and I welcome your ideas and thoughts on how to make it better.

And you know, to the extent that you are continually interested in this, I would also like the opportunity to demonstrate to you some of our programs like Feed the Future, which is working in 20 countries, which is targeting moving 18 million people, including 7 million kids, out of a state of poverty and hunger, and which really does bring together so many of the best practices of what we've 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 – I appreciate your highlighting that – that we're saving lives and improving livelihoods around the world.

REP. CHAFFETZ: I appreciate that. I think I speak for members on both sides of the aisle to say, look, we want you to be successful. We've got human lives who depend upon it and we allocate a lot of resources in order to do this.

With that said, I just – I need to say it 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, I honestly believe – 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. And yet 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.

And 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're 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.

And when we're missing our goal by 65 percent in terms of building the shelters, when we say that we've only achieved less than 25 percent of the goal, it's just stunning and disappointing because the resources of the United States of America being brought to bear, the support that you personally got from the president to make this stuff happen, and then to see those types of results? Again, I'm just looking at the metrics here and concerned about, it is devastating. It is disappointing and it is unacceptable.

And that's 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's in the right place. I appreciate you coming before this committee and spending time with us here. There's a lot to improve and I appreciate your attitude of saying, hey, look, we can always improve.

So at this point we'll hold this committee in adjournment. Thank you.