S. HRG. 109–251

STATE, FOREIGN OPERATIONS, AND RELATED PROGRAMS APPROPRIATIONS FOR FISCAL YEAR 2006

HEARINGS

BEFORE A

SUBCOMMITTEE OF THE

COMMITTEE ON APPROPRIATIONS

UNITED STATES SENATE

ONE HUNDRED NINTH CONGRESS

FIRST SESSION

ON

H.R. 3057

AN ACT MAKING APPROPRIATIONS FOR FOREIGN OPERATIONS, EXPORT FINANCING, AND RELATED PROGRAMS FOR THE FISCAL YEAR ENDING SEPTEMBER 30, 2006, AND FOR OTHER PURPOSES

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United States Agency for International Development

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STATE, FOREIGN OPERATIONS, AND RELATED PROGRAMS APPROPRIATIONS FOR FISCAL YEAR 2006

THURSDAY, MAY 12, 2005

U.S. SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS,
Washington, DC.

The subcommittee met at 2:05 p.m., in room SD–124, Dirksen Senate Office Building, Hon. Mitch McConnell (chairman) presiding.

Present: Senators McConnell, Specter, Gregg, Bennett, DeWine, Brownback, Cochran, Leahy, Harkin, Durbin, and Landrieu.

DEPARTMENT OF STATE

OFFICE OF THE SECRETARY

STATEMENT OF HON. CONDOLEEZZA RICE, SECRETARY

OPENING STATEMENT OF SENATOR MITCH MC CONNELL

Senator MCCONNELL. The hearing will come to order.

Thank you very much, Secretary Rice, for joining us today.

We have the chairman of the full committee with us. I appreciate your being here, Senator Cochran.

Today's hearing is really historic in at least one respect. Not only is this your debut before this subcommittee, but it is also our first-ever hearing since the subcommittee reorganized earlier this year to incorporate the Department of State's entire operation.

Let me begin today by commending Chairman Cochran for his wisdom and leadership, and not just with respect to the committee reorganization. On Tuesday, the Senate gave its unanimous approval to the emergency supplemental. Senator Cochran deserves the lion's share of the credit in getting this important measure to the President in a timely manner. We all thank him for that, and certainly the men and women serving in Iraq and Afghanistan thank him as well.

As we consider the President's fiscal year 2006 request, my colleagues should keep in mind that we will not succeed as a Nation in the global war on terror unless we employ our foreign assistance programs as weapons in America's arsenal. This is particularly true with respect to front-line states, such as the $920 million request for Afghanistan, $698 million for Pakistan, $158 million for Indonesia, and $96 million for the Philippines. Simply put, as we strengthen the military, police, and good governance of these

states, we relieve the demands upon America's own military and diplomatic resources. Our aid runs the gamut from "hard" counterterrorism and military packages for foreign governments to "soft" child survival and basic health programs for rural populations. Both are integral components of deterring and defeating terrorism.

As is the case every year, the subcommittee will have difficult decisions to make in the weeks and months ahead. However, the process of reviewing the $33.6 billion request for the State Department and foreign operations is well underway. This includes examination of proposed increases above fiscal year 2005 funding levels in such accounts as Transition Initiatives, Diplomatic and Consular Programs, and the Millennium Challenge Corporation, and decreases in others, including assistance for Eastern Europe and the Baltic States and assistance for the Independent States of the Former Soviet Union.

I want to assure you, Secretary Rice, that we are attuned to changing realities around the world, including in such regions as Eastern Europe, Central Asia, and the Middle East. Under the President's leadership, the march of freedom across the globe has been truly impressive, whether in Iraq, Afghanistan, Ukraine, or Georgia. Please know you have all of our personal commitments to help advance democracy in Egypt, Belarus, and the Kyrgyz Republic, among other countries.

The use of cutting edge technology in this endeavor is vital. If you have not already, I would encourage you to become familiar with the programs of Voice for Humanity in both Iraq and Afghanistan. These outreach activities are reaching important segments of those populations, including illiterate individuals and women.

As has become my tradition, let me just close with a couple of words on Burma. The situation in that country remains absolutely deplorable with democracy leader and Nobel laureate Aung San Suu Kyi and her compatriots under continued imprisonment. Access to Suu Kyi since the attempt on her life in May 2003 has been extremely limited, and I remain gravely concerned for her safety. Let me be crystal clear that the security and welfare of Suu Kyi is the direct responsibility of the SPDC leader Than Shwe.

Along with several of my colleagues, including Senators Leahy and Brownback, I introduced legislation earlier this week to renew the sanctions against this repressive regime. America's challenge is fairly straightforward. We need to make that struggle for freedom in Burma a priority for the world's democracies, for multilateral organizations, including the United Nations and the European Union, and for Burma's neighbors.

PREPARED STATEMENT

As you and I have discussed on several occasions, the ASEAN chairmanship is supposed to move to Burma in 2006 with the meeting supposedly to occur there. I think that is unacceptable. I believe you share my view on that. Hopefully that will be a focal point for beginning to genuinely get the kind of multilateral cooperation we need to truly squeeze that regime.

[The statement follows:]

PREPARED STATEMENT OF SENATOR MITCH MCCONNELL

Today's hearing is an historical one. Not only is this your debut before this Subcommittee, but it is also our first-ever hearing since the Subcommittee reorganized earlier this year to incorporate the Department of State's entire operations.

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Along with several of my colleagues—including Senators Leahy and Brownback—I introduced legislation earlier this week to renew sanctions against the repressive State Peace and Development Council (SPDC). America's challenge is fairly straightforward—we need to help make the struggle for freedom in Burma a priority for the world's democracies, for multilateral organizations (including the United Nations and the European Union), and for Burma's neighbors.

The SPDC's chairmanship of the Association of Southeast Asian Nations (ASEAN) looms on the horizon. We must seize that as an opportunity to increase pressure on the junta until such time that Burma embarks on an irreversible path toward reconciliation and democracy.

Senator MCCONNELL. Let me now turn to my friend and longtime colleague on this subcommittee, Senator Leahy, for his opening observations, and then we will be happy to hear from you, Secretary Rice.

OPENING STATEMENT OF SENATOR PATRICK J. LEAHY

Senator LEAHY. Thank you, Mr. Chairman.

Madam Secretary, I join the chairman in welcoming you on your first appearance before this subcommittee.

I also want to thank the chairman for his continued work on these issues. I might say that to both chairmen, but more importantly for our longstanding, decades-old friendships.

We have a lot to cover, Madam Secretary. I want to focus on one issue that you and I have spoken about, even before you were confirmed, and that is the need for U.S. foreign aid programs to be funded at a level that is commensurate with our national interests. The President's National Security Strategy recognizes the central role of foreign aid. I agree with the President on that. His fiscal year 2006 budget request for foreign operations, an increase of $3.1 billion over last year's level, is good step forward.

But I also have serious concerns with this year's budget. Unfortunately, the President cuts several core foreign aid programs. Here are the things cut: funding for child survival and health programs, including infectious diseases, cut by $280 million. The development assistance account is cut by $45 million. Aid to Russia is cut in half. We even cut our contribution to UNICEF, something that seems to work very, very well everywhere I go in the world. And there are a number of other areas, promoting renewable energy, supporting democracy. We could and should do more.

The programs are cut to pay for a large increase in funding for the Millennium Challenge Corporation. You and I discussed this a little bit earlier this afternoon. I support the MCC, but the President said we would not cut other things to pay for it. We had his personal assurance that other programs would not be cut to pay for the MCC.

Again, I continue to support MCC, but the proposed increase in funding at the expense of other programs really cannot fly. If this year's request is fully funded, a total of $5.5 billion will have been appropriated to the MCC. So far, it has awarded one compact of $110 million, and that is to Madagascar. Madagascar has a population of only 15 million people. We are concerned about billions of people.

I worry about having billions of dollars for this account just sitting in the Treasury for years when there are urgent needs, to promote democracy, stop childhood diseases, stop the deaths of millions of children between the time of birth and 2 years old, who die of diseases that children in this country are immunized against.

Your being here today is very important. I thank you for that. I know how busy your schedule is.

But you have to really fight for this budget. The House allocation for the Foreign Operations Subcommittee is $2.5 billion below the President's request. This creates a real problem for Senator Cochran, Senator McConnell, and for me. You have got to fight and the President has got to use the bully pulpit to fight for more. I know there are a lot of things on your mind, but these are the things that can make us safer as a Nation, but also respond to the fact that as the wealthiest, most powerful Nation on earth, we have a moral responsibility. We are blessed with so much. We will not stay blessed that long if we do not return it.

I know that dealing with the Congress is not always politically rewarding. Sometimes it is not even fun, but Madam Secretary, you have to do it.

Even if we got every single cent that has been required, we are still talking about only 1 percent of the Federal budget. We want to use our great wealth and our blessings to respond to global poverty, international terrorism, everything else. One percent.

The President's budget is a positive first step. I say that as a member of the other party. But Democrats and Republicans work very closely together up here. Senator McConnell and I have. We try to protect this budget. We will keep on trying to do it, but help us. Help us get the money. A lot of people around the world see this as the face of our moral leadership.

Thank you, Mr. Chairman.

Senator MCCONNELL. Thank you, Senator Leahy.

The way we will proceed is we are going to have a short statement from the chairman of the full committee, then your statement, Secretary Rice, and then questions in order of arrival. Senator Cochran.

OPENING STATEMENT OF SENATOR THAD COCHRAN

Senator COCHRAN. Mr. Chairman, I am pleased to join you in welcoming Dr. Rice to this committee hearing. It has been a pleasure working with the Secretary and White House officials as well on the supplemental appropriations bill, which the President has now signed. I look forward to continuing that relationship as the committee considers the fiscal year 2006 budget request for the Department of State.

The President has an important foreign policy agenda, which includes an emergency plan for AIDS relief, promoting global democracy, assisting developing countries, and reducing barriers to free trade.

Madam Secretary, the committee appreciates your leadership as Secretary of State and your assistance in identifying our foreign policy priorities. We thank you for the excellent work you are doing in our Nation's behalf.

Thank you, Mr. Chairman.

Senator MCCONNELL. Thank you, Chairman Cochran.

Secretary Rice, we will be happy to put your full statement in the record, if you have one, and go right ahead.

SUMMARY STATEMENT OF HON. CONDOLEEZZA RICE

Secretary RICE. Thank you very much, Mr. Chairman. I would like to proceed as follows, with the committee's forbearance. I have a statement that I would like to make about another matter first. I have a longer statement, which I would like to enter into the record and perhaps just make a few comments about it so that we have maximum time for questions.

Senator MCCONNELL. That will be fine.

RESPECT FOR THE HOLY KORAN

Secretary RICE. Mr. Chairman, before I begin my actual testimony, I want to speak directly to Muslims in America and throughout the world.

Disrespect for the Holy Koran is not now, nor has it ever been, nor will it ever be tolerated by the United States. We honor the sa-

cred books of all the world's great religions. Disrespect for the Holy Koran is abhorrent to us all.

There have been recent allegations about disrespect for the Holy Koran by interrogators at Guantanamo Bay and that has deeply offended many people. Our military authorities are investigating these allegations fully. If they are proven true, we will take appropriate action.

Respect for the religious freedom of all individuals is one of the founding principles of the United States. The protection of a person's right to worship freely and without harassment is a principle that the Government and the people of the United States take very seriously. Guaranteeing religious rights is of great personal importance to the President and to me.

During the past few days, we have heard from our Muslim friends around the world about their concerns on this matter. We understand and we share their concerns. Sadly, some people have lost their lives in violent demonstrations. I am asking that all our friends around the world reject incitement to violence by those who would mischaracterize our intentions.

Thank you very much, Mr. Chairman and members of the committee.

As I said, I have a longer statement that I would like to place in the record, but I would just like to make a few highlights.

PROMOTING DEMOCRACY

This is indeed an extraordinary period, and I think everyone has spoken to that. It is a time that I think is unlike any other since perhaps the end of World War II when the United States took on the mantle of creating a stable and democratic Europe, a Europe at that time, that was divided in half but eventually became whole and free and at peace. We learned from that experience that if we are sound in our diplomacy and if we are sound in our values about democracy, that indeed we are safer and more secure because as democracy goes forward and prospers, the United States is indeed safer and secure. When democracy is in retreat, freedom is in retreat, then we are more vulnerable. We learned that in a very graphic and difficult way on September 11.

The President has said that the only way to deal with the ideologies of hatred that we face in the world now is to present the world with the antidote to that, which is the spread of liberty and freedom. I would just like to echo something that the chairman said, which is that indeed we are watching remarkable events around the world. Who could not be impressed with the Rose Revolution in Georgia or the Orange Revolution in Ukraine or the Cedar Revolution in Lebanon or with Iraqis and Afghans voting in large numbers against all odds?

But I think that we all recognize that times of challenge and opportunity also require the very hardest work and the very greatest concentration. What we hope to do at the State Department is to employ the very fine men and women of the Foreign Service, the Civil Service, and foreign service nationals in that cause.

EQUAL IMPORTANCE OF STATE AND FOREIGN OPERATIONS REQUESTS

The budget before you attempts to do several things. First of all, I just want to make the point that we must maintain a balance of resources between State and foreign operations. The diplomatic platform that we have out there, the people, our ability to operate in the field, our facilities, is the platform from which we conduct our diplomacy. We are especially concerned that our people will have the training that they need, the technology that they need, and that they will also have the facilities that they need, and the security that they need.

In that regard, I would like to thank those who worked so hard on the supplemental. I know this was not an easy matter, but the Baghdad embassy, especially, is going to be very important to the safety and security and well-being of our people, and I want to thank you for your hard work on that.

We are also, of course, pursuing a number of important strategic directions. In the global war on terrorism, we think very often of what our military is doing in the mountains of Afghanistan or along the Afghan/Pakistani border. We think of our men and women in uniform and what they are doing in the Baghdad Sunni Triangle. But we also need to think of the important role that our foreign assistance plays in our partnerships with the front-line states of Afghanistan and Iraq and Pakistan and Jordan and other states in the war on terrorism.

What we are really doing in the support that we provide for these states is to allow them to become really active and effective warriors in the war on terrorism, and we are much better when we are fighting side by side with those who have everything to lose in the war on terrorism like the Pakistanis and the Afghans and the Iraqis of the world. If you just go back a few years, it is remarkable to think of the array of states that are now fighting with us in the Global War on Terrorism. We need to support them.

This budget supports them in a very important way with foreign assistance. I think we just need to keep in mind that this is strategic assistance. We tend to think of foreign aid. This is strategic assistance that makes us more effective also in the global war on terrorism.

We, of course, are trying to pursue the opportunities for democracy that are presenting themselves to us, it seems almost daily, in the Middle East where I will submit to you and I promise and commit to you that we are actively beginning now to look hard at our public diplomacy efforts in the Middle East to really replace the ideologies of hatred, the misinformation about the United States, with effective messages about who we are and what we are trying to do.

But, of course, there are still many places that require our attention, and I would like to thank Senator McConnell for putting a spotlight in the supplemental on Belarus, the last dictatorship in Europe. I had a chance to meet with some of the civil society activists from Belarus. They are really people who look at what happened in Ukraine, look at what happened in Georgia, and say, why not here? It will come in time because these are universal values and ultimately they will triumph. But we have to stand with people

in places like Belarus, and in places like Burma, to let them know that at least the United States is with them.

We are also trying to improve through this budget our ability to respond to the tremendously fluid situations in which we find ourselves. You will note that in this budget there is a $100 million request for a conflict response fund. Very often between budget cycles, we have to borrow money from accounts and then try to pay it back because things happen that we did not expect. I can give you many examples, Liberia, Haiti, positive examples like Ukraine, and we want to be able to be more responsive to those kinds of emergency situations.

We are also pursuing, at the same time that we pursue the democratization of places like the Middle East and remaining places in Europe, a very active agenda for the countries that still need to find their way out of poverty and in to greater prosperity. Indeed, the real challenge of many places, for instance, in our neighborhood, like Latin America, is to take what are already very strong democratic traditions now, very strong democratic impulses to strengthen those institutions and to make democracy begin to pay off for the people. We have seen a lot of turbulence in Latin America over the last couple of years because people are getting restless and are beginning to wonder if democracy will pay off.

TRADE AGENDA, CAFTA VOTE

I want, in that regard, just to draw everyone's attention to the importance of our trade agenda in providing opportunity for countries, particularly in this region. In that regard, we will soon have an important vote on CAFTA. The Central American presidents were just here today with the President. They will tell you that this is a matter for them that is essential to their continued existence as democratic states. They are being challenged by "populists" across the board. In a place like Nicaragua, for instance, that challenge is coming from an old foe, the Sandinistas. We do not want to abandon the playing field in Central America and in Latin America to a "populism" of a kind that would take us back to the 1980's. Having gone there once, let us not go there again. And so I just call to your attention the importance of the trade agenda and of CAFTA in particular.

Finally, as Senator Leahy has noted, America is a country of great strength. It is a country of great values, but it is also a country of great compassion. We have tried very hard to let people who are still in poverty, people who are in need, people who face disease or humanitarian disaster, know that the United States will be there for them.

PEACEKEEPING OPERATIONS

We are working on any number of conflicts in the world, Liberia, the Democratic Republic of the Congo, Haiti, and we do it through peacekeeping and through our ability to support others in peacekeeping operations. I just ask you to help with those missions with needed funds.

Of course, we have a major effort in disease alleviation through the President's emergency program for AIDS and other communicable diseases.

DEVELOPMENT ASSISTANCE

Finally, let me speak to a point that Senator Leahy made which is about development assistance. We have, in this administration, increased development assistance by two times, twice since we have been in office over the last 4 years, and it is because the President believes that that doubling of development assistance represents the commitment that we have to helping those who need to come out of poverty.

We do it recognizing, however, that we have had a long history of development assistance that did not do the job. It was very often wasted, and that was because too often development was not seen as a two-way street. Yes, there are responsibilities to make resources available, but there is also the responsibility of the recipient country to govern wisely, to govern transparently, to govern accountably, and to invest in the health and well-being of their people.

MILLENNIUM CHALLENGE ACCOUNT

The design of the Millennium Challenge Account was to do exactly that. It was to make a compact with the recipient country that any program monies would be given to a recipient that was planning to govern wisely and that had a record of doing that and fighting corruption.

The request this year for $3 billion for the Millennium Challenge Account anticipates the fact that while only one compact has been signed, and that is with Madagascar, that we are seeking to conclude compacts with 10 more countries by the end of 2005. Those countries include Honduras, Ghana, Nicaragua, Senegal, Mozambique, Sri Lanka, Armenia, and Georgia.

Let me just close by saying one word about Georgia. The pictures that you saw from Georgia were the pictures in Freedom Square, which were extraordinary. It was especially extraordinary for me as an old Soviet specialist to stand in this former Soviet republic and hear the Georgian people sing their long-banned Georgian national anthem and then to sing the American national anthem. It showed what our partnership means with small countries that are willing to take risks for democracy.

PREPARED STATEMENT

But what they mostly wanted to talk about, in addition to problems that they might have with their big neighbor, was their Millennium Challenge program because they believe that if they can get this compact finished, it is going to make a huge difference in their ability to complete infrastructure, and to have energy independence. They have made tremendous inroads in terms of corruption. I think that what we are beginning to see is that when we have an incentive out there like the Millennium Challenge Account, people are responsive to it. So I ask you to think about where we are going with the Millennium Challenge Account. I think it is one of the great innovations in development assistance and it helps to show the heart of America.

So thank you very much.

[The statement follows:]

PREPARED STATEMENT OF HON. CONDOLEEZZA RICE

Thank you, Chairman McConnell, Mr. Leahy, Honorable Members of the Committee, I appreciate the opportunity to address the Committee at this time of challenge, hope and opportunity for America, and for the world. And I look forward to working with the Congress to build a strong bipartisan consensus behind America's foreign policy and to ensure that the men and women of American diplomacy have the resources they need to conduct their vital mission.

The President's fiscal year 2006 International Affairs Budget for the Department of State, USAID and other foreign affairs agencies totals $33.6 billion.

I would like to take this opportunity to thank the Members of this Committee for their support and leadership in the passing the fiscal year 2005 Emergency Supplemental. This urgently needed funding will support immediate political, economic, humanitarian, and operational needs that will allow us to meet new challenges—and seize new opportunities—to build a better, safer, and freer world.

The supplemental international affairs funding of $5.8 billion will ensure that we are able to respond speedily and effectively to the needs of our steadfast coalition partners in the War on Terror, to newly elected governments in Afghanistan, Iraq, the Palestinian territories and Ukraine who need our stabilizing assistance to move forward with reforms, to those seeking democracy assistance in Belarus and Lebanon, and to the men, women and children uprooted by war, as in Sudan, or swept up in natural disasters, such as the recent East Asia tsunami. The supplemental funds will also cover the extraordinary security and support costs of operating our current embassy in Baghdad, and the construction of a secure new embassy compound for our mission, as well as $60 million for the security and operations of our embassy in Kabul.

Now, if I may, Mr. Chairman, I will begin my testimony on the fiscal year 2006 Budget Request with an overview of President Bush's foreign policy mission, which we seek this Committee's support to advance.

In the long term, as President Bush said, "The only force powerful enough to stop the rise of tyranny and terror, and replace hatred with hope, is the force of human freedom." Through diplomacy, the United States can create new possibilities for freedom and fresh hope across the globe. We must deal with the world as it is, but we do not accept it as it is. In places like Afghanistan and Ukraine, Iraq and the Palestinian territories, Lebanon and Georgia, people's desire for freedom and a better future is redefining what many thought possible in these societies.

President Bush has charged the men and women of the Department of State with helping to create a balance of power in the world that favors human liberty, and that is exactly what we are doing. Together with our democratic partners around the world, we are advancing a forward strategy of freedom.

Our cooperation with international partners is dramatically evident in Afghanistan, where last month I saw first-hand the progress that country has made towards stability, reconstruction, and democracy. The Presidential election last year was an inspiration to the world. Next September, Afghanistan's citizens, men and women alike, will again go to the polls, this time to elect a parliament. Afghanistan still faces many challenges, including the narcotics trade that could undermine its strides on so many fronts. We are committed to a comprehensive counter-narcotics strategy and a long-term reconstruction strategy because we believe in the future of a new, democratic Afghanistan—an Afghanistan that is no longer a haven for terrorists and tyrants, but a partner in security and freedom.

To build on the positive momentum in Afghanistan, President Bush has requested nearly $1.1 billion in total U.S. funding, including $956 million in foreign assistance support. This money will be used to invest in security, health, education, clean water and free market infrastructure, which together create conditions for sustained growth, opportunity, and to continue the fight against drugs.

This is also a very important year for Iraq, as the Iraqis write their constitution and hold national elections in December. When President Bush traveled to Europe in February, he and his counterparts not only turned the page on Iraq, they wrote a new chapter. All 26 NATO allies are now contributing to the NATO Training Mission in Iraq. The European Union announced its willingness to co-host an international conference with the United States to encourage and coordinate international support for Iraq. We have followed up on this initiative with the European Commission, the European Parliament, EU Member States, other countries around the world, and the Iraqi Government. Today, in the midst of a tough security situation, Iraqis at all levels—from the town council in Fallujah to the President of the country—are engaging in the democratic process and they need and deserve our support.

For Iraq, President Bush has requested $457 million of support for fiscal year 2006, including $360 million to continue work already begun under the Iraq Relief and Reconstruction Fund. These monies would be targeted towards helping the new Iraqi leadership create a functioning democracy and a justice system governed by the rule of law. This funding also will help the Iraqi government deliver basic services to its people, collect revenues, generate jobs and develop a free market system capable of joining the global economy.

We and our democratic allies are putting the power of our partnership to work not only in Afghanistan and Iraq, but all across the Broader Middle East and North Africa. Efforts to encourage democratization, economic reform, the growth of civil society and opportunity for all through education are critical to shaping a stable and prosperous future for this strategically important region. Recognizing this, through the G–8 we have established the Forum for the Future—a new partnership between the democratic world and nations of this vast region, and we are committed to ensuring that the Forum plays a central role in advancing indigenous reform efforts in this vast region extending from Morocco to Pakistan.

In early March in London, I participated in an important conference of major donors, including regional states, to help the Palestinian people advance their political, security and economic reforms and build infrastructure for self-government. The World Economic Forum in Jordan is expected to give further impetus to political and economic reform in the region.

The path of reform in the Broader Middle East will be difficult and uneven. Freedom's work is the work of generations. But it is also urgent work that cannot be deferred.

From Morocco to Bahrain to Afghanistan, we are seeing new protections for women and minorities, and the beginnings of political pluralism. We have seen an opening toward broader participation in the first-ever municipal elections in Saudi Arabia. President Mubarak announced Egypt's intention to open up competition in Egypt's presidential elections. In the Palestinian territories and in Iraq we have witnessed remarkably free and successful elections. And in Lebanon we have witnessed the dramatic popular demonstrations for freedom and against the continued manipulation of the government and politics by outsiders.

The will of the people of Lebanon to make their own decisions and throw off the mantle of oppression is clear. The people of Lebanon have an enormous opportunity to bring about peaceful change with elections. We and many others support them by insisting on the withdrawal of all foreign forces from Lebanon, as required by U.N. Security Council Resolution 1559, and by supporting free and fair elections.

In support of these hopeful trends across the region toward freedom and democratic government, the fiscal year 2006 budget request proposes enhanced funding for diplomatic and assistance activities in the Middle East, North Africa and other countries with significant Muslim populations. The request includes $120 million for the Middle East Partnership Initiative for reform, $40 million for the National Endowment for Democracy to expand efforts to promote democracy in the Broader Middle East and North Africa region, $180 million for Muslim outreach through educational and cultural exchanges, and increases for a wide range of other public diplomacy and broadcasting initiatives geared toward Muslim publics, particularly young people.

Of course, the process of reform in the broader Middle East is not detached from what must happen between the Israelis and Palestinians toward realizing President Bush's vision of an independent Palestinian state living side-by-side in peace with the State of Israel.

The Palestinian elections, and the Israeli withdrawal plan for Gaza and parts of the West Bank, have created a unique opportunity for peace. In fact, when I met with both Prime Minister Sharon and President Abbas they had the same opening line: This is an opportunity for peace we must not miss.

President Bush has announced an additional $350 million to help the Palestinians build infrastructure and sustain the reform process over the next two years, including the $150 million in the fiscal year 2006 budget. I'd like to thank the Congress for supporting the President's efforts by providing the $200 million included in the fiscal year 2005 Supplemental. This is an important show of support for President Abbas. Our fiscal year 2006 budget request also contains $2.5 billion in assistance to Israel, which continues our longstanding strategic partnership and supports regional democracy and security.

Even as we work with allies and friends to meet the great challenge of advancing freedom and peace in the broader Middle East and North Africa, we will seize other important opportunities to build a world of peace and hope.

For example, the U.S.-led global war on terrorism has put Pakistan and India on the same side against extremism. We have de-hyphenated our relationship with

Pakistan and with India, building strong, independent ties with each. At the same time that our relations with India have been moving forward we have the best relations with Pakistan that perhaps we have ever had, deepening our cooperation with Pakistan in the war on terrorism, supporting President Musharraf's modernization efforts and the liberalization of Pakistan's economy.

During my March trip to Pakistan and India, on behalf of President Bush I congratulated both countries for the steps they have taken toward warmer relations with each other. In Islamabad, I discussed the need to chart a democratic path for Pakistan, including the holding of national elections in 2007. With India, the world's largest democracy, we are cooperating on a global strategy for peace, and on defense, energy and growth. A few weeks ago, India's Foreign Minister met with President Bush and they discussed ways we might accelerate our cooperation still further and we look forward to a July visit by Prime Minister Singh.

The future of Asia is very dynamic. Our alliances and relationships in Asia—starting with our critical strategic and economic ties with Japan—will be profoundly important in creating a stable, prosperous, democratic region and world.

Much of Asia's dynamism comes from an emerging China whose economy has become an engine of regional and global growth. This new factor in international politics requires us to incorporate China more fully into the global system.

We are working with China in context of its WTO commitments to address outstanding concerns related to that ongoing integration effort, particularly on issues such as intellectual property rights, financial sector reform and improved market access. We believe that we and our allies and friends can help foster an environment in which a rising China acts as a positive force. We want China as a global partner, able and willing to match its growing capabilities to its international responsibilities. And we believe that China must eventually embrace some form of open, genuinely representative government if it is to realize the full talents of the Chinese people and fully reap the benefits and meet the challenges of a globalizing world.

Last month, I participated in the NATO Ministerial meeting, held for the first time in Lithuania, one of NATO's newest members. I just accompanied President Bush on his visit to another new NATO ally, Latvia, where he had a very positive and constructive meeting with the leaders of Latvia, Lithuania and Estonia. The expansion of the North Atlantic alliance to 26 members including the three Baltic states marks the further advance of democracy and freedom throughout Europe.

From Riga, we stopped in Maastricht, Netherlands, to pay tribute to those who served and sacrificed in the Second World War and to those who are standing with us today in defense of democracy and freedom in places like Iraq and Afghanistan.

From The Netherlands, the President and I traveled to Russia to mark the 60th anniversary of the end of World War II. The visit and ceremonies in Moscow were an opportunity to thank those who so bravely fought for the victory over fascism. President Bush continued his dialogue with President Putin about U.S.-Russian relations and about Russia's future. In his recent State-of-the-Union address, President Putin stressed his commitment to democracy and we look forward to seeing how his words get translated into deeds. President Bush also met with civil society leaders and emphasized that a democratic, vibrant, prosperous Russia is in everyone's interests.

We then went to Georgia, where we witnessed the enthusiasm of a new democracy first hand. And President Bush underscored to President Saakashvili our support for the independence, territorial integrity and strengthening of that young democracy.

The seeds of democracy in Georgia, which truly blossomed from the Rose Revolution of November 2003, served as an inspiration a year later to those in Ukraine who refused to accept a stolen election. The political transformation within Ukraine has meant a new dynamic in Ukraine's relationship with the United States and our allies. At the NATO Ministerial last month, the alliance extended an invitation to Ukraine to begin an Intensified Dialogue on Membership Issues, raising NATO's cooperation with Ukraine to a new level. All of us welcomed the new leader of Ukraine, Viktor Yushchenko, to Washington. We recognize that he has a lot to do to reform his country, and we have a strong interest in ensuring the success of a democratic Ukraine.

In Kyrgyzstan, the change of government precipitated by popular discontent over election fraud and government corruption will be followed by new presidential elections July 10. These elections offer Kyrgyzstan the opportunity to establish new democratic benchmarks for Central Asia. Working closely with our OSCE partners, we will provide assistance to ensure the elections are conducted freely and fairly. Beyond the elections, we look forward to working with a legitimately elected government to establish the basis for prosperity and stability for Kyrgyzstan and the region.

Several weeks ago, I visited Brazil, Colombia, and El Salvador and took part in the Community of Democracies Meeting in Santiago, Chile. Our efforts in the hemisphere, in Africa and across the developing world are designed to help strengthen fellow democracies so that they can deliver the benefits of democracy to their citizens and help them escape poverty. Our policy is also guided by the principle that leaders who are elected democratically have a responsibility to govern democratically. We are working in partnership with developing nations to fight corruption, instill the rule of law, and create a culture of transparency that will attract the trade and investment crucial to poverty reduction.

At the Monterrey Summit in 2002, all nations agreed that economic growth is essential to fighting poverty, and that development assistance works best when it goes to countries that adopt growth-oriented policies. This concept underlies the President's revolutionary Millennium Challenge Account initiative. We seek $3 billion for the third year of the Millennium Challenge Corporation, which helps countries that govern justly, adopt sound economic policies and invest in the welfare of their people. We also seek $2.4 billion in development, child survival and health assistance. The fiscal year 2006 Budget exceeds the President's 2002 commitment for overall growth in core development assistance by requesting a total of $19.8 billion, $8.2 billion more than in 2002.

We will also help countries enhance their capabilities to protect their citizens from traffickers and terrorists.

Our fiscal year 2006 request includes $735 million for the Andean Counter Drug Initiative to consolidate gains made in recent years in eradication, interdiction and alternative development.

We are requesting $5.8 billion in assistance to our front-line partners in the global war on terror. Through the provision of equipment and training, this assistance will help give military, police and other security forces the tools they need to destroy terrorist cells, disrupt terrorist operations, strengthen border controls, and prevent attacks. This assistance will also help advance economic growth and democratic reform, providing new opportunities for their citizens and addressing the hopelessness that terrorists seek to exploit. The request includes $698 million for Pakistan; $559 million for Colombia; $462 million for Jordan; $213 million for Kenya; and $159 million for Indonesia.

When they engage effectively, multilateral institutions can multiply the strength of freedom-loving nations. We are requesting $1.3 billion in support for the multilateral development banks, with which our bilateral assistance missions partner abroad to reinforce effective economic reform strategies. In addition, we are seeking $100 million in debt relief for the Heavily Indebted Poor Countries initiative, an effort we are pursuing in concert with the G–7, other key lending countries, and the international financial institutions. We are requesting nearly $1.3 billion for U.S. obligations to 47 international organizations, including the United Nations, and a little over $1 billion to pay projected U.S. assessments for U.N. peacekeeping missions. And we are seeking $114 million to enhance the peacekeeping capabilities of non-U.N. forces, with a particular focus on Africa.

We are encouraged by the African Union's leadership in addressing conflicts across the continent, specifically its mission in Darfur. The African Union military commanders in Darfur are doing vital work in providing security for millions of displaced people. We welcome the AU's decision to double the size of its Darfur mission to enhance its ability to protect civilians, and we appreciate your help through the Supplemental to support this expanded mission. We fully appreciate the urgency of the situation and we encourage the AU's consultations with NATO on potential logistical assistance that would enable the AU forces to expand quickly and sustain their operations.

Meanwhile, we are doing all we can to ensure that the displaced people get the basic humanitarian supplies they need until such time as secure conditions are established that enable them to return to a normal life. And we are pressing for prompt implementation of the North-South Comprehensive Peace Agreement, because that accord creates a possible political framework for resolving conflicts in Darfur and other regions of Sudan. At the same time, we are working to orchestrate an international message to the Government of Sudan: They are responsible for conditions in Darfur and must cooperate to stop the killing and create a path for peaceful reconciliation.

Thanks to Congress's strong backing, last month at the Oslo Donors' Conference to support the peace agreement, we were able to pledge $853 million to help Sudan in fiscal year 2005. Most recently in the Supplemental, Congress provided additional support to help meet the needs of implementing the Comprehensive Peace Agreement in the south of Sudan and keep humanitarian supplies flowing to Darfur. I thank you for your generosity and look forward to further strong congressional sup-

port for Sudan through the fiscal year 2006 Budget. Given the enormity of the humanitarian, security, and political challenge, your continued backing is critical.

Sudan is but one, terrible example of the broader challenge we face. Chaos, corruption and cruelty reign can pose threats to their neighbors, to their regions, and to the entire world. And so we are working to strengthen international capacities to address conditions in failed, failing and post-conflict states. President Bush has charged us at the State Department with coordinating our nation's post-conflict and stabilization efforts and we are asking for $24 million in operating funds for the new Office of the Coordinator for Reconstruction and Stabilization housed in the Department. I also appreciate the $7.7 million Congress has provided in supplemental funds for start-up and personnel costs for the Office of the Coordinator. The fiscal year 2006 budget proposes a $100 million Conflict Response Fund to quickly address emerging needs and help deploy trained and experienced civilian personnel immediately to an unstable region.

The United States must stay at the forefront of the global campaign against HIV/AIDS, providing half of the global assistance to fight this scourge. The President is requesting $3.2 billion in total U.S. funding for care, treatment and prevention efforts. We will demonstrate the compassion of the American people in other ways as well. Through our continued support of international and non-governmental organizations, we will ensure that America remains the world's most generous food and non-food humanitarian assistance provider. We seek $3 billion in food aid and famine relief and non-food humanitarian assistance, including support for fragile states.

In all of these endeavors, the primary instrument of American diplomacy will be the dedicated men and women of the Department of State. We would welcome your help as members of the full committee in ensuring that our people are well equipped for the challenges ahead in terms of training, technologies and safe workplaces. Secretary Powell and his team made important progress in these areas and we must build on the foundation they established.

We are requesting $1.5 billion for security-related construction and physical security and rehabilitation of U.S. embassies and consulates, and $690 million to increase security for diplomatic personnel and facilities. We have a solemn obligation to protect the people of our diplomatic missions and their families, who serve at our far-flung posts in the face of a global terrorist threat.

We must strengthen the recruitment of new personnel. We are seeking $57 million for 221 new positions to meet core staffing and training requirements. And as we seek out new talent, we also seek to further diversify our workforce in the process. We send an important signal to the rest of the world about our values and what they mean in practice when we are represented abroad by people of all cultures, races, and religions. Of course, we also must cultivate the people we already have in place—by rewarding achievement, encouraging initiative, and offering a full range of training opportunities. That includes the training and support needed to make full use of new technologies and tools, and we are asking for $249 million for investment in information technology.

Public diplomacy will be a top priority for me, as I know it is for this Committee, and the fiscal year 2006 request includes $328 million for activities to engage, inform and influence foreign publics. America and all free nations are facing a generational struggle against a new and deadly ideology of hatred. We must do a better job of confronting hostile propaganda, dispelling dangerous myths, and telling America's story. In some cases, that may mean we need to do more of what we are already doing, and in other cases, it may mean we need new ways of doing business.

If our public diplomacy efforts are to succeed, we cannot close ourselves off from the world. We are asking for $931 million to improve border security and for an increase of $74 million over fiscal year 2005 for educational and cultural exchange programs, bringing the total to $430 million in fiscal year 2006. We will continue to work closely with the Department of Homeland Security to identify and prevent terrorists and other adversaries from doing harm, even as we maintain the fundamental openness that gives our democracy its dynamism and makes our country a beacon for international tourists, students, immigrants, and businesspeople. We will keep America's doors open and our borders secure.

Mr. Chairman, Members of the Committee, this time of global transformation calls for transformational diplomacy. More than ever, America's diplomats will need to be active in spreading democracy, reducing poverty, fighting terror and doing our part to protect our homeland. And more than ever, we will need your support if we are to succeed in our vital mission for the American people.

Thank you, Mr. Chairman. I would be pleased to answer any questions that you and the other distinguished Committee Members may have.

BURMA SANCTIONS

Senator MCCONNELL. Thank you, Madam Secretary.

I want to ask you one quick question just for the record, and then I am going to turn to Iran. I assume you support the renewal of sanctions, including an import ban and visa restrictions against the military junta in Burma.

Secretary RICE. Absolutely.

IRAN

Senator MCCONNELL. We will be moving forward with that this year.

Looking at the morning paper, it certainly reminds us again of the Iranian challenge. The article in the Washington Post that I read discussed the task undertaken by the British, the French, and the Germans and the rather stern statement that they have issued to the Iranians. I know that it must have come up when you and the President were with President Putin in Russia.

What is the state of play of the whole Iranian nuclear issue? What can you tell us publicly about what you discussed with President Putin in relation to the Russians' relationship to Iran? In short, give us an update on where we are.

Secretary RICE. Certainly. Well, as you know, Senator, we have been supporting the EU–3 negotiations with the Iranians, and we have called on the Iranians to take advantage of the opportunity that the Europeans have given them to demonstrate that they are prepared to live up to their international obligations. That means that the Iranians cannot be allowed to develop the technologies that would lead them to be able to build a nuclear weapon under cover of a civilian nuclear program.

We have excellent cooperation with the Europeans on this. The Iranians have been making various threats publicly. We are following it very closely, but it is our hope that the Iranians are going to continue these negotiations because it is really the only reliable way for them to really be a part of the international system and to be accepted there.

The Security Council always remains an option should the Iranians not live up to their obligations, but we are still hopeful that they will recognize where they are.

With regard to the Russians, we have been in very close contact with them. While we do not believe, Senator, that the Iranians need a civilian nuclear power program, given their abundance of hydrocarbon sources, we nonetheless recognize that the Russians, upon agreeing to give them the Bushehr reactor, have built in a number of proliferation safeguards that could be quite useful. For instance, the Russians have said that they would provide fuel, but then there would have to be a fuel take-back so that the Iranians would not keep the capability of being able to use that fuel to develop nuclear weapons. This is, in many ways, very close to a proposal that the President made at the National Defense University, that there ought to be provision of fuel, but that the transfer of the technologies of reprocessing and enrichment should not continue.

So we are watching the situation. We are in very close contact with our allies, but we are hopeful that the Iranians are going to take the deal that is being given to them.

RUSSIAN TROOPS IN GEORGIA AND ARMENIA/AZERBAIJAN

Senator MCCONNELL. Turning to another part of your trip, could you give us an update of the likelihood of Russian troops remaining in Georgia for a long time?

Also, even though it may not have been on your agenda, I have had a longstanding interest in the Armenia/Azerbaijan dispute over Nagorno-Karabakh, and the presence of Russian troops in Armenia, which the Armenians say is because of their concern about the Turks. Nevertheless, is there anything new in that area that you could share with us?

Secretary RICE. Senator, on the Azerbaijan/Armenia/Nagorno-Karabakh situation, I cannot report that there is anything new. But as you know, we had made considerable progress several years ago, and it looked like we were going to be able to perhaps even resolve the Nagorno-Karabakh issue. We were not able to do it at the time. We continue to have the Minsk Group that works on this.

We want to redouble our efforts again to see if we can go back and see if we can try and resolve this issue. We have been discussing with the Russians the need to deal with what we are calling frozen conflicts like Nagorno-Karabakh. I have had discussions with my counterpart, Sergei Lavarov. We believe it would be a very useful thing. Armenia and Azerbaijan are suffering from this conflict, suffering that investment is low, suffering that they really cannot stabilize their political situations, suffering, we believe, in the presence of foreign troops. So we would like very much to try and get this resolved, and we will try and redouble our efforts.

On the Georgian bases, it was very interesting to first hear the Russians and then hear the Georgians on this. The Russians, as you know, agreed that they would leave these bases in Georgia. It has now been a question of when and how. When you listen to some, they say that they are actually closing in on a deal. Others say maybe they are not so close. But while we are not trying to get involved in the details of it in some sort of mediator role—that would not be appropriate for us—we are really encouraging the Russians to get this done and to remove their forces so that Georgia can regain that element of their national sovereignty. The Russians say that they intend to leave, that it is now just a matter of how and the dates. But we are encouraging them very strongly to do it as quickly as possible.

ABKHAZIA/SOUTH OSSETIA

Senator MCCONNELL. And finally, what about internal Georgian issues like Abkhazia, for example?

Secretary RICE. Our message to the Georgians about Abkhazia and South Ossetia was that, first of all, these cannot be resolved by military force, that the United States would not support the use of military force to resolve these conflicts. There has to be a political solution. The Georgians are talking in terms that probably are going to be helpful in places like South Ossetia when they talk

about greater local autonomy over decision-making. But these are part of a territorially integrous Georgia.

So one of the things that the President did during his stay there was to have conversations across the region, in Georgia as well, about the need to protect minority rights, about the need to build multi-ethnic democracies because, if you think about it, if each of these separatist regions tries to start pulling away, there is not going to be much left of the territorial integrity of Georgia. So better for Georgia to have a sense of protecting minority rights, protecting the ability of people to govern their own affairs locally. But we speak very clearly for the territorial integrity of Georgia, and we have said that to the Russians as well.

RUSSIA

Senator MCCONNELL. I am going to sneak in just one final, very quick question. I read somewhere that there was some suggestion that Stalin might be enjoying a bit of a comeback in Russia. Since he was originally, obviously, from Georgia, does his name ever come up in Georgia, or is it like he did not exist?

Secretary RICE. It does not really come up in Georgia and it does not come up much in Russia either. In fact, despite the fact that it was the celebration of the end of World War II, I think I saw one poster, kind of old vintage poster, in this regard.

I might just for the committee's sense of it, it was quite interesting because the large boulevard Daverska in Moscow was decorated with all kinds of banners to the great victory, glory to Russia, with a fair amount of advertisement thrown in for various cell phone companies and various dressmakers and the like. So it was a little bit incongruous for somebody like me.

Senator MCCONNELL. I think we would all agree Stalin deserves no comeback.

Secretary RICE. Right.

Senator MCCONNELL. Senator Leahy.

BALANCING MILLENNIUM CHALLENGE CORPORATION AND FOREIGN ASSISTANCE FUNDING

Senator LEAHY. Thank you. I find the description interesting. I remember my first trip to Russia in 1975 with Senator Javits and Senator Hugh Scott, as the Republican leader at the Senate at the time, and Senator Hubert Humphrey. There have been dramatic changes since those days.

We discussed the Millennium Challenge. There is support, as you understand, for it. We just do not want it to be either/or. We want to make sure we maintain the commitments originally made, that we are not going to cut child health programs and we are not going to cut development programs, we are not going to cut programs to eradicate disease, and the other things that show the best face of America around the world. We need to support the Millennium Challenge and also to keep these other commitments.

I will be the first to agree that not every program works. I have voted to get rid of programs that did not work. We have an awful lot of programs that do work and need more resources to do more.

A recent New York Times article said the World Bank, the IMF, British Prime Minister Blair, and others have called for the dou-

bling of aid for the poorest countries. You and I were in Davos and we heard Chancellor Brown say similar things. The United States has not taken a position. I look at Africa with 700 million people. It gets about the same amount of aid as we give to Iraq with 25 million people. Actually the aid to rebuild Iraq is a lot more than we give to the entire world. The amount of aid we give is a lot of money, but it is a smaller percentage of our gross national income than any donor country, I think, except Italy.

Is this a trend that will continue?

Secretary RICE. Well, Senator, I would make a couple of points. First of all, on what we are actually doing in the budget in terms of development assistance and the relationship between that and the Millennium Challenge, the development assistance request is essentially a kind of straight-line request from what we requested last year. As you know, some of the decrease is represented by the fact that $275 million for Afghanistan and Ethiopia and Haiti and Sudan is now covered under something called the transition account. So it is a little bit masked there. The development assistance is pretty much a straight line.

But as to the .7 target that people use in terms of official development assistance, I think that we believe that we should, of course, make resources available, which is why we have doubled official development assistance over the last 4 years.

Senator LEAHY. But if we take out the money for the Millennium Challenge, the only way we do it is to take money from some of these basic needs. You and I should have a longer discussion on this, but that is a real concern. We can make the promises. You and I can agree on every one of these programs, but if the money is not there, it is like Hotspur and calling them from the depths. Anybody can call them, but will they come when you call.

Let me ask you this. Charles Taylor. You and the President met with Nigerian President Obasanjo last week.

CHARLES TAYLOR

A lot of us have discussed how to get Charles Taylor before the Special Court for Sierra Leone. He is an indicted war criminal responsible for the deaths of tens of thousands of people. He wants a return to power. He is meddling in the affairs of other countries, without going into areas beyond what has been in the press. We all know he is.

Why are we having so little influence getting him to the Court? I see Senator Gregg, my neighbor from New Hampshire. He and I and other Members of Congress have been urging stronger action. We have written letters, Republicans and Democrats. The other body has been the same way. This is a despicable, horrible person. He is a mass murderer. Why do we not bring him to justice and show the rest of the world that this is what happens to mass murderers?

Secretary RICE. Senator, there is no doubt that we believe that Charles Taylor should be brought to justice. We have communicated that very clearly and strongly to the Nigerian Government.

I would just say I would hope we would step back and look at what the Nigerian Government did at the time when we were trying to get Charles Taylor out of Liberia so that we could end the

state of civil war there and begin to move forward. President Obasanjo, President Kufuor of Ghana, South African President Mbeke, and others went and they actually took him out of Liberia, and they did that really on behalf of the international community.

We want to, therefore, work with them in a way that for them works for them to get him out of the country and to one of the courts. I would not focus just on Sierra Leone.

Senator LEAHY. The longer we take, the more he is fomenting. The harder it is going to be. How long can the Special Court in Sierra Leone, which is prepared to take him—how long can it wait?

COLOMBIAN PARAMILITARIES

I am going to have some other questions on the demobilization of Colombian paramilitaries, following up on the letter that Senator Lugar, Congressman Hyde, Senator Dodd, Congressman Lantos, and I sent to President Uribe. We have spent billions down there. We were told they were going to cut coca production by half. We have eradicated a lot. A lot of coca is still cultivated. The price is still the same on our streets. We have human rights conditions on our aid. They are always certified by the State Department. We have doubts about whether they are being met. When you get a group like Senator Lugar, Congressman Hyde, Senator Dodd, Congressman Lantos, and myself we are crossing the political spectrum here. We really are concerned about what is happening in Colombia. I have a great deal of respect for President Uribe, but I am concerned about what is happening especially with the paramilitaries.

Senator MCCONNELL. Thank you, Senator Leahy.

The order will be Senator Gregg, followed by Senator Landrieu, and then Senator DeWine. Senator Gregg.

Senator GREGG. Thank you, Mr. Chairman.

It is great to have you here, Secretary. It is wonderful to have you serving as the Secretary of State. Obviously, you follow an individual who did an extraordinary job, but you have managed to take his legacy and carry it forward with great ability and given us pride as a Nation that you are representing us around the world.

BALANCING STATE OPERATIONS AND FOREIGN AID

One of the things that has happened here is that we have merged the State Department's two functions, the foreign aid function with the operational function by bringing it under this committee. I guess one of my concerns as the person who had jurisdiction under a prior incantation of the operational functions is that we not lose sight of the fact that you really cannot do a good job in foreign aid unless you maintain the strength of your operational side.

The problem, of course, is it is very easy to raid things like the accounts for taking care of getting our embassies up to speed, as far as hardening them, the accounts for IT. I believe now the State Department has probably the best IT program in the entire Government, at least in my experience. And various other functions of just day-to-day operations. So I hope you will keep an eye out that the great strides which were made we do not turn back on.

One little minor point I would mention is that we had initiated an effort not only to get our embassies and facilities up to a better standard of security, but we had also started an effort to reach out to targets where our children of embassy personnel go, schools, especially American schools. That initiative was small but it was huge in its impact on those schools. They were able to do things relative to security, which was important. I hope we will continue that initiative.

NORTH KOREA, PROGRESS OF TALKS

On the broader issue, you have to be so conversant in so many areas, and you certainly are. Tell us what is happening with North Korea and especially what is happening with working with China and Japan and South Korea to try to orchestrate an effort there that is multilateral to do something.

Secretary RICE. Well, we continue, Senator Gregg, to try with the Chinese, the Russians, the Japanese, and the South Koreans to hold a united front that lets the North Koreans know that there really is not any option but for them to abandon their nuclear weapons programs if they really do wish to be integrated in the international system. It has, obviously, its ups and downs because the North Koreans tend to threaten. They tend to draw attention to themselves with all kinds of announcements. But I think that the underlying fact has not been altered and that is that all of their neighbors are telling them that there is only one way out of this.

Now, obviously, there are concerns. There are concerns that they would try and make something more dramatic like a test. You have been reading that people have talked about that. They are concerned that there might be proliferation from North Korea. Those are all things that we keep in mind and keep an eye on. But the key here is to really continue to keep a united front on the North Korean program.

I know that the South Koreans and the Chinese are urging the North Koreans to return to the Six Party Talks. That is very important, but we want them return to the Six Party Talks not just to return to the Six Party Talks, but to actually be ready to make a strategic choice about their nuclear weapons programs. We have told them security guarantees are available to them on a multilateral basis. Some of their neighbors have talked about providing them fuel oil under those circumstances. They have asked do we understand that they are sovereign. Yes, we understand that they are sovereign. So the North Koreans have not much to gain by what they are continuing to do, and they have quite a bit to gain by coming back to the talks. We hope that that logic will eventually prevail.

STATE AND FOREIGN OPERATIONS

If I may, just on the point that you made earlier. I want to assure you, Senator Gregg, I have got my eye on that ball about our people, about our facilities, about where they work, about how they work, about the training, about the fact that we need to bring more language specialists in, critical language specialists, and about the need that we can never again afford to have the kind of situation

that we had in the 1990's where we missed a whole set of classes of Foreign Service officers. The technology has to be right for our people. You make the point absolutely correctly, which is that we cannot do any of this without people and without our people having the means to do what they need to do.

When I go out, I always do an embassy—we call them embassy meet and greets, and I go out and I see these people working really hard in difficult circumstances. Senator Leahy mentioned Colombia. They are out there literally fighting the narcotraffic wars, and they are in places helping the Colombians to do that. You go to Afghanistan. They are out there helping people build businesses. These are not people who are just sitting in their offices sending back cables. They are out there on the front lines really carrying out the hard work of democracy and development. So we owe them the very best that we can get them.

Senator GREGG. Well, I thank you for that commitment, and I agree with it, obviously. I do hope that as you set up these efforts, that you remember, as we build these embassies such as the one that you are going to build in Baghdad, the vast majority of the utilization of that embassy is probably not going to be Foreign Service personnel. It is going to be from other functions within the Government. We have had a little problem getting them to participate in the underwriting of that. I do hope you will continue to press some of our other agencies to participate in that because it relieves the pressure on this committee specifically, but more importantly pressure on the State Department in funding things like IT and other areas.

I thank you again for the great job you are doing.

Secretary RICE. Thank you very much.

Senator MCCONNELL. Thank you, Senator Gregg.

Now we will turn to Senator Landrieu, followed by Senator DeWine and Senator Durbin.

STATEMENT OF SENATOR MARY L. LANDRIEU

Senator LANDRIEU. Thank you. Thank you, Madam Secretary, for being here today and for your service and the passion and intensity with which you undertake your job. I have always found it to be inspirational, and as a member of this committee, I look forward to working with you.

I agree wholeheartedly with your comments, about our efforts to try to expand democracy and freedom where we can, that it clearly is in America's interest. You mentioned some strategies you are undertaking and I hope we can work together to do that. Could you speak a moment about the special focus you've had on serving half the population in all of these countries, which are, of course, women?

I am reminded of the images that we saw on the television before we went into Afghanistan. In large measure, it was "we are coming in to free you and to free the women and to get them out of oppression and into colleges." Yet, we have been there now for several years and we do not hear too much about our success in that aspect. I only raise it because my own personal experience shows me that as we continue to try to build more capacity in these nations,

that making sure those resources are spread to both the future of men and the future of women is important.

So if you could just comment about the status of women particularly in Afghanistan and Iraq, which I know is very troublesome still, but also in other parts of the Mideast, such as our allies in Kuwait, and Saudi Arabia. What is our strategy for moving women into the forefront of society, having the right, to vote, own property, the right to exit a marriage if it is abusive, the right to full custody to children, the rights to an education, the rights to decent health care? Could you comment a bit about our efforts to bring democracy to that half of these nations?

FOCUS ON WOMEN IN FOREIGN POLICY

Secretary RICE. Absolutely. Thank you, Senator Landrieu.

We have had a very strong focus on women's rights, women's education, women's empowerment, and the poverty reduction for women because one of the facts is that when poverty reduces for women, it gets better also for the whole society. Very often women in, for instance, small business orientation can help an entire society, and so you will find that we have done a lot with microfinance around the world, for instance, because there women take a little bit of money, they build a little business maybe in textiles or something, they employ other women, and the village does better as a result. So we are very focused on women's empowerment in economies.

We also are very focused on women's education. Here I think there are good stories to tell. Girls are going to school in record numbers in Afghanistan in a place where they did not go to school. That is something that America has to be immensely proud of. When I was in Afghanistan, you would see that little girls are out there with their fathers and they are sort of a part of the life. That is going to continue to be a major focus for us.

In a place like Pakistan, for instance, we are also funding programs in women's education.

Then it comes to the matter of women's political rights which, of course, is the ultimate guarantee that women can defend themselves against societies that might try and subordinate them. In the places where we have had a direct impact like Iraq and Afghanistan, I think the story is good. It is true that there are still age-old attitudes, particularly in Afghanistan, less in Iraq, that are patriarchal in the way that women are viewed. But women are in legislatures. They are in ministries. In some cases, they are ministers. We have seen women insist on actual percentage quotas for women's participation in political life.

We have a couple of very important councils, the Afghan Women's Council, which the First Lady has been very involved with. I have meet with Iraqi women political leaders when they are here. The best news is that while we are trying to empower women, they are clearly empowering themselves. They care about this. They are really organizing themselves.

I met with a group of women in Afghanistan. They were women doctors and women lawyers and women human rights activists. There was also the first woman paratrooper in the Afghan armed forces, which was really quite something to see.

So I do not want to paint too rosy a picture because in many cases these are very traditional societies that are going to have to overcome a lot. But I do believe that women believe now that it is their rightful place, and when in Afghanistan, the constitution guaranteed that men and women are both citizens, we all sort of thought, well, that is great. They thought this was an extraordinary development. There is still work to do.

I think it is fair to say we were disappointed about Kuwait, and eventually we hope that women will vote in both Kuwait and Saudi Arabia.

Senator LANDRIEU. Well, I encourage you to continue. Not only are you personally a role model for what we are speaking about, but women of the world particularly look to you for that vocal, passionate leadership. When I was in Iraq, several of the soldiers, male soldiers, came up to me and said we are here to free everyone, and we want you to take that message back to the highest powers. So I have delivered it.

HAGUE TREATY ON INTERNATIONAL ADOPTION

The second question, if I could. Are you aware of the Hague Treaty on International Adoption? I know you are responsible for many treaties, but this was one that was passed overwhelmingly by the Senate several years ago. Jesse Helms actually helped to lead this effort along with Joe Biden. We have not implemented it. We specifically requested from the former Secretary of State some action. Of course, other things have rightly received more priority.

I raise this to you because it is an issue that is very important to Americans as a value of family life, and the value that children are really to be raised in families. Governments do a lot of things well. Raising children is not one of them. Children in our country and in the world should be raised in their biological family, in their extended family that is available if their parents are separated. I am wondering if you would make a commitment to look into that to see if we could get this treaty implemented. In exchange, we would agree on this committee to work with you to fund, whatever is necessary for you to do that.

Secretary RICE. Thank you, Senator. I will look into it. I will get back to you with a report on where we are.

Adoption has been an issue that, as you know, has been very important to the President. He very often raises these issues with people from around the world. He was just, not too long ago, raising this with the Romanians because we have had, of course, a number of issues there with Romania.

But I will get back to you on what progress we have made.

PREPARED STATEMENT

Senator LANDRIEU. I know my time is up, but I will submit other questions on Uganda, the AIDS issue, and particularly the LRA in Uganda and what we are doing to address that conflict near the Sudan.

Thank you.

[The statement follows:]

PREPARED STATEMENT OF SENATOR MARY L. LANDRIEU

Madame Secretary, thank you for taking the time to be here this morning. As you know, I consider it a great privilege to serve as a member of this subcommittee at such a crucial time in our Nation's history. While there are still some who doubt the need for foreign assistance and others who characterize it as charity, I see the aid we give to developing countries as strategic investments in freedom, democracy and the protection of human dignity. Providing financial assistance to developing countries, particularly in areas touch the every day lives of people such as health care, housing, nutrition, and education, allows us to help these countries more immediately realize the fruits of a democratic society. And in contrast, failing to provide such support, puts democracy at risk. In the words of former President John F. Kennedy, "To fail to meet those obligations . . . would be disastrous; and, in the long run, more expensive. For widespread poverty and chaos lead to a collapse of existing political and social structures which would inevitably invite the advance of totalitarianism into every weak and unstable area. Thus our own security would be endangered and our prosperity imperiled. A program of assistance to the underdeveloped nations must continue because the Nation's interest and the cause of political freedom require it."

With this in mind, I look forward to having the opportunity to provide oversight and support to you and your agency. To me, it never made sense to have the federal agency charged with delivering foreign assistance under a different committee's jurisdiction than the federal agency tasked with implementing foreign policy. I, for one, would like to see us work to forge a stronger connection between the funding distributed through USAID and the policies pursued by the State Department because I think that it is critical that we use our federal resources to strengthen and support U.S. policies abroad. I know that this is a concept that is, at least in part, supported by President Bush, as evidenced by his efforts to establish the Millennium Challenge Account. I hope that you and I can work together to explore other ways to strengthen this connection.

There are several areas of foreign policy that I believe would benefit from this strengthened coordination. First, I see a need and an opportunity for the State Department's to strengthen their role in the building and strengthening of families. As I have said many times, countries are not built on roads and buildings alone, their strength and vitality rests solely on the building, and sometimes, re-building of families. As the late Pope John Paul II was quoted as saying, "As the family goes, so goes the nation and so goes the whole world in which we live."

Madame Secretary, four years ago, I had the distinct pleasure of meeting for an hour with the former President of China, Jiang Jiamin on the issue of international adoption. During this meeting, he shared with us that the Chinese believe every child born is born with a red string attached to their heart, the other end of which is tied to the ankle of their soul mate. It is because of this string, they believe, that soul mates eventually find each other and spend the rest of their lives together. It is his belief, that perhaps the same is true of children who are adopted. That when they are born, their hearts have a string that is tied to the ankle of their forever family, and it because of that heartstring that they eventually find one another.

I will treasure the memory of this meeting forever. Not only because it was an extreme honor to meet with such a learned and distinguished leader, but because it reminds me of how profoundly adoption affects the world we live in. 19,237 children were adopted by American citizens last year. 18,477 children the year before that, 16,363 in 1999 and 15,744 children in 1998. That is almost 100,000 children in four years. I think it is easy for us to understand the impact that these adoptions have had on the adoptive families and the orphan children, but what I would like to focus on afternoon is the impact that this has for the diplomatic relations between the United States and countries throughout the world.

In sheer numbers alone, the impact is evident. In real terms, these children are "mini-ambassadors" to 200,000 American citizen parents, 400,000 grandparents, conservatively 800,000 aunts and uncles, and 300,000 siblings. According to a recent report by the U.S. Census bureau, 1.6 million people in the United States were adopted, 15 percent of them from abroad. Because of this magnificent process, communities all over the United States are deepening this understanding and affinity for the people of the world. September 11 reminded us of the importance of continuing to build bridges with the nations of the world. International adoption is one very effective and lasting way to build these bridges.

Over this past year, I have also had the privilege of meeting with the Presidents of Kazakstan, Romania and Russia and high-ranking government officials from Cambodia, Vietnam, Honduras, El Salvador, Guatemala, Uganda, and the Ukraine.

Each time the message is the same. They want to do what they can to make the Hague more than just a piece of paper with 59 signatures on it.

These nations are looking to the United States to lead the way toward a system of international adoption and child welfare that is based on best practices. A system comprised of meaningful protections for the adoptive parents, the birth parents, and perhaps most importantly the children; a system that universally recognizes that a government institution is not and cannot be an adequate replacement for a family and works toward the shared mission of finding every child in this world a loving and nurturing, permanent family.

Madame Secretary, I hope that my remarks this morning will remind you of the power that this issue has in shaping the world's future and that you will do what you can to see that it is given proper recognition within your department. I think that the orphans of the world would benefit greatly from your leadership and compassion.

Another area that would benefit from stronger coordination is in the area of women's economic and political empowerment. I would like to complement you, Madame Secretary, and your Department, for your dedication to improving the lives of women worldwide. I note your work in both Afghanistan and Iraq and the investments we have made in programs there to help bring freedom and equality to the women there. While the efforts there have been commendable, I would argue that more can and should be done.

Take for instance the micro-enterprise loan program, which disproportionately benefits women. It has received $150 million over the last five years. While impressive, in the context of a $32 billion foreign aid budget, I would argue we can afford to do more.

When I have raised these concerns in the past, I have been told "Senator, but since women comprise 50 percent of the population, it is safe to assume that 50 percent of any funding going to the country will be spent on improving lives for these women." While I am not convinced this is always the case, particularly in countries where the oppression of women has been widespread for decades, if we truly want to bring freedom and democracy to these countries then we must actively support programs that directly benefit and empower women.

I, along with other members of this committee, have worked in the past to see that a portion of all funding dedicated to the development of emerging democracies, be used for this purpose. I am glad to see that this trend has been incorporated into other parts of the budget and I hope to see that continue.

Finally, Madame Secretary, I want to call your attention to an issue that has deeply affected me since my return from Uganda nearly a year ago. While there I personally witnessed the terror and chaos imposed by Joe Kony and the Lord's Resistance Army, particularly for the children who have come to be known as the night commuters. What these children have had to live through is indescribable and should not be allowed to happen in a world such as ours.

I would suggest that as we look to areas of the world that might benefit from our assistance and leadership that we look to Northern Uganda. In carrying out our goal of seeking out terrorists wherever they may hide, I urge us to do what we can to end the terrorist rein of the LRA.

Again, Madame Secretary, thank you for being here this morning to share your views with us and I look forward to working with you on these and other issues.

Senator MCCONNELL. Thank you, Senator Landrieu.

We will now turn to Senator DeWine, followed by Senator Durbin, and Senator Bennett.

STATEMENT OF SENATOR MIKE DE WINE

Senator DEWINE. Madam Secretary, good to see you. Good to have the country's foremost Cleveland Browns fan in front of us today.

Secretary RICE. It is true.

Senator DEWINE. I could not resist it. Good to have you with us.

I do not want to belabor the point that Senator Leahy made, but I am also concerned, I must tell you, about the developmental assistance figure. Again, not to belabor the point, but by my calculation at least, even if you figure in the new transition initiative country spending, we are still coming up by my figures about $70

million short on developmental assistance. So, again, it is a concern that I have.

HAITI

Let me talk about one of the issues that I have talked with you many times about, and that is Haiti. The crisis continues in Haiti. It is certainly not getting any better. Elections are scheduled this year.

Madam Secretary, I have been a big supporter of CAFTA. Those of us who have been around here—for me, I was in the House in the 1980's—have to understand I think the importance of this to Central America and how important continuing the development of democracy is in Central America. You pointed out what is going on in Nicaragua. I was down in Nicaragua a few months ago. I understand the dynamics of what is happening there. I am a big supporter of CAFTA.

But I must say I find a little inconsistency in the administration not supporting a trade initiative in regard to Haiti. I think we really could do two things at once. I have seen enough in regard to Haiti to know that we are not going to help Haiti really just by money. What we are doing we have to do. We have to do it for humanitarian reasons. We have to do it so we do not have to send troops down there again. We have had them down there twice in the last decade. They are going to be down there again at some point if things do not get better. But really, whether you are a Democrat or Republican, I think we all understand that really what Haiti needs is jobs. That is the only way this country is going to have a chance, the people are going to have a chance.

I would just ask you again for the administration to look at the trade bill that we passed last year in the Senate. It did not pass in the House, although there was a pretty good effort made to get it passed, but it did not pass. That is really what is needed if we are going to help Haiti and if we are going to deal with the foreign policy problem that this country has. I would like for you to comment on that, but let me ask a couple of other questions.

AFRICA

Ethiopia, Eritrea, the stalemated border dispute. I wonder if you could tell us what steps you might be thinking about taking or are taking to help resolve that border dispute and to deal with the starvation and the poverty issue there.

The Congo. If there has been an under-reported tragedy in the last 5 years in the world, it has been the terrible, terrible tragedy in the Congo. What can be done or what role do you see the United States playing in that part of the world?

Three questions.

Secretary RICE. Thank you. Yes, of course.

Let me start with the Congo. The principal problem in the Congo, of course, is to try and get a stable transitional government in the Kabila government that can actually begin a political transition toward elections. We have tried to do a couple of things to help with that. The forces are provided there by the French and others.

But we have tried to be very politically active in a trilateral set of discussions that we have because one of the problems, as you

well know, is that outside forces have been destabilizing to the DROC. So trying to get the Rwandans, the Ugandans, and others to know where their armies are and to have them involved in the DROC, to not support the RC Agoma and the militia forces that are stirring up trouble in the Congo, it has been our role to really try and deal with that problem. We have had very close cooperation with the South Africans, with President Mbeke, in trying to keep foreign forces out of the Congo. We have had variable success.

But if we can continue to do that and if we can strengthen the ability of the Kabila Government to stay stable for a while—now, the big problem, of course, is the demobilization of these militias that are operating in the country. Another big problem is to have a kind of a national unity picture going into the elections. We have trilateral discussions. We have discussions with Kabila. I can tell you I spend a good deal of time on the phone, at least every couple of months, with making the rounds, Kabila, Kagame, Museveni. We have really been very active diplomatically there.

We are probably going to look at more international engagement as we get ready for the elections, but I think on that piece we are doing what we can.

I am glad you drew attention to the Ethiopia/Eritrea situation because we are actually quite concerned about the potential for a humanitarian problem there concerning food. We have begun to discuss with the Ethiopians the prepositioning of some food supplies there to deal with what could potentially be a famine situation. We are not there yet, but the warning signs are there. I have had discussions with USAID and with Andrew Natsios about doing that.

We are also trying to intensify our political efforts. Of course, the border is a major part of it, but also to try to get the government to be responsive to what may be a humanitarian problem that it has had trouble seeing. So on this one we are trying to intensify our diplomacy ahead of the game because we would like not to get into a crisis situation there. Though we do not know for certain that there will be, there is certainly something looming.

As to Haiti, Senator, first of all, I want to just note that I appreciate your leadership on Haiti, the $20 million in ESF for Haiti. We, as you know, are trying to rebuild police forces. We are trying to do a lot of things. I had extensive discussions with the Brazilians when I was there. They lead, of course, the effort in Haiti.

We think the Haitians can take better advantage of the Caribbean Basin Initiative than they are currently taking and that there is room there for trade improvement. We will continue to look at what measures we can use, but it is very much on our radar screen.

Senator DEWINE. Thank you, Mr. Chairman.

Senator MCCONNELL. Thank you, Senator DeWine.

Now we will turn to Senator Durbin, followed by Senator Bennett, and Senator Brownback.

SUDAN

Senator DURBIN. Madam Secretary, thank you for joining us. I have two questions of substance and one of style.

The first question of substance relates to the Sudan. 38 Senators sent a letter to you in March asking that a special envoy be appointed to Sudan to carry on the fine work that John Danforth initiated. We received a reply this week rejecting that notion, suggesting that Deputy Secretary Zoellick would continue in that capacity in some way or another. And the letter said that at an appropriate time, the Ambassador to the Sudan would be named.

First, I would like to ask this question. The appointment of an Ambassador can be seen by many as a reward to the government of Khartoum. Is there any reason why we should be rewarding this government in light of what is happening in Darfur?

Second, the day-to-day involvement of a Deputy Secretary is, of course, diminished since he has many other responsibilities, and I worry whether or not he would have the time or the inclination to really devote the kind of time that John Danforth did to this terrible crisis.

I am also concerned when Mr. Zoellick recently visited the Sudan, he was asked about the word "genocide," and he said, quote, he did not want to get into a debate over terminology. This is a dramatic departure from the unequivocal statement made by Secretary Powell in which he said in September of last year, "I concluded that genocide has been committed in Darfur and that the Government of the Sudan and the janjaweed bear responsibility and genocide may still be occurring."

I just wondered if you would comment. Sadly, it sounds like we are back in the same word game that was played by the previous administration in Rwanda, and I hope that is not the case.

CHINA TRADE

The second substantive issue relates to China. We have lost millions of manufacturing jobs in the United States, hundreds in my own State, in the last several years because of unfair Chinese trade practices, literally their manipulation of currency. Many people believe that when the highest levels of decision-making are made in this administration and in previous administrations, that politics often trumps trade.

I can see from statements made by you today and other places and answers to questions how critically important China is to us on North Korea. Many people that I speak to suspect that we are holding our punches when it comes to unfair Chinese trade policy because we are so dependent on the Chinese in trying to find some peaceful resolution in North Korea, not to mention the fact they are the second largest holder of the American national debt, which grows by leaps and bounds. So if you could comment on the second substantive question as to whether or not the State Department is winning the debate over those who argue we should enforce our trade agreements with China for the benefit of American businesses and workers.

The last question is one of style. You said something today I have never heard said before, and I hope I quote you accurately. It was not in your written statement. You called on us to approve CAFTA to fight the forces of populism. You said that two or three times, "the forces of populism." And it stopped me because I had never quite heard the term populist used in such a negative and

pejorative sense. In American history, Thomas Jefferson, Andrew Jackson, Abraham Lincoln, Theodore Roosevelt were characterized at some points in their careers as populists. Today Nelson Mandela is viewed as a populist. Aung San Suu Kyi in Burma is viewed as a populist.

Is it the position of the administration that populism is antithetical to the spread of democracy?

Secretary RICE. Thank you. Let me start with the last question, Senator Durbin. I think populism has a particular meaning in the Latin American context, and I do not mean populism of a kind that was practiced by Andrew Jackson, I assure you, or by Nelson Mandela.

By that I meant the kind that was practiced by Peron in Argentina. This is a kind of demagoguery that talks about the needs of the people and the wants of the people, and it is being practiced today in some places in Latin America. For instance, I think you could say that some of the rhetoric in Venezuela is of that character.

I do not mean that the United States is unable to work with governments from left of center. Quite the opposite. When I was in Brazil, I gave a speech saying that the United States of America would work with any democratically elected government that governed by transparency, that fought corruption, that cared for the needs of its people, that kept its economy open, that traded freely. I cited in particular several governments left of center like Brazil and Chile with which we have had that kind of relationship.

The kind of rhetoric that you do get, though, from some quarters in Latin America is not about responsible government. It is not about responsible economic policy. It is calling to the people who are poor and in need in a clearly anti-democratic way. I think if you look at the spectrum in Latin America, you will see that there is a growth of that kind of rhetoric in Latin America and we have to resist that.

The reason that I cite CAFTA in this regard is that if you look at the Central Americans, you have small countries that in the 1980's went through horrific civil wars, that had communist movements that were trying to take over the countries, in some cases actually ruled like in Nicaragua. And we have come a long way when you look at the Central American presidents that were there with the President today who do govern democratically, who do have open economies, who are interested in free trade. The comment was to contrast what we see from a particular extreme in Latin America with the kind of, I think, totally responsible and good governance that we see from governments like Brazil or Chile. So that was the meaning in that context.

Now, in terms of Sudan, we do have a charge there whom we have appointed. Deputy Secretary Zoellick is spending a great deal of time on Sudan. We all are, Senator. For instance, when I was at NATO, I worked to try and get NATO to agree that should the African Union ask, NATO would be prepared to give logistical support for the African Union forces when they are generated. I think we, hopefully, will get that agreement. So we are spending a good deal of time, a great deal of time on Sudan.

It may be the case that at some point in Darfur there is need for an envoy. I think we really believe that right now the strategy has to be to work with the AU on a very intensive basis to get forces into the country to deal with the humanitarian situation by getting monitors into the country and then to contribute to the long-term process that might ultimately reconcile the various forces. That is the reason what we focus so heavily on the North-South Agreement because it gives the kind of framework in which you might be able to look at the Darfur circumstance.

As to genocide, we believe as a Government that, yes, genocide has been committed there. We have, from time to time, said to people let us—because you remember the United Nations did not come out with that assessment—what we have said to people is let us not quibble about what it is called. Let us just recognize that we have a horrific humanitarian situation here and that we need to act. I think it is in that context that the deputy's remarks should be taken.

Finally as to China, Senator, I consider it a part of my job as Secretary of State to defend America's trade as free trade and fair trade. I do not think there is a State Department position and a trade position here. There is a U.S. position, and American foreign policy should be about protecting a trading playing field that is level and fair so that America's workers and farmers can compete.

I spent a very long time with the Chinese leadership when I was there. I had an entire session with the Premier that was entirely about economics, entirely about the need of the Chinese to respect intellectual property rights, entirely about the need of the Chinese to have a flexible market-based exchange rate. I believe it is part of our job to think of the Chinese relationship as a whole but, by all means, the need—especially given the size of the Chinese economy. I have said publicly that China cannot have it both ways. China, if it is going to be as it is, this huge economy, has got to be in a rules-based environment and has got to live up to its trade obligations.

Senator MCCONNELL. Thank you, Senator Durbin.

We will now turn to Senator Bennett, to be followed by Senator Brownback and Senator Harkin.

STATEMENT OF SENATOR ROBERT F. BENNETT

Senator BENNETT. Thank you very much, Mr. Chairman.

Secretary Rice, I have said in another place but I will say now clearly for the record how grateful I am for the trip you took to Europe to repair some relationships with our longtime European allies. I have associations in Europe and the back channel reaction for your trip there and your performance there was very positive. You hit a home run and should be publicly congratulated for that.

The chairman here has a one-note that he repeats every time, which is Burma. Senator Leahy has one that he repeats almost every time, which is land mines. And trying to follow their sterling leadership, I have one that I repeat every time, which is microcredit.

MICROCREDIT

I was pleased to have you make mention of microcredit in your response to one of the questions. I worked hard to get designation of microcredit funds in the supplemental with respect to the tsunami because I believe one of the best ways we can rebuild the economy as a result of the tsunami is through microcredit. I have seen firsthand the way it works. I have a piece of embroidery in my office, which was sent to me from Morocco by a woman who began her business with a $20 loan in microcredit.

My experience is that the—I will not use that term. That would be pejorative—the long-term, permanent cadre in the State Department is, shall we say, a little less enamored of microcredit than I am. They do not like funds they do not control, and the idea of putting money out there and making it available to primarily women who have the entrepreneurial urge is something that a more structured individual kind of does not like. They like to be able to control the money and how it is handled and monitor it and shepherd it in a way that bureaucracies respond to.

So I would simply sound my one note and ask that you continue to see to it that the microcredit activity remains viable and, to the extent it is possible, continues to grow. I am not sure I am responsible, but in the time I have been sounding this one note, the amount of money from the State Department in microcredit has more than doubled, and I would hope it would continue to go in that trajectory under your stewardship.

You can respond in whatever way you would like.

Secretary RICE. Well, thank you, Senator. I am myself a big fan of microcredit. I think that it really does, particularly for women, empower them and then they do tend to create jobs for people around them. So it is very important.

We are doing a lot of very interesting things with microcredit in USAID. When I was in Mexico, I visited a credit union in Mexico. We were not providing direct funds to the credit union. What we were doing, though, was providing technical assistance to the creation of credit unions there and out in various more remote parts of Mexico so that——

Senator BENNETT. My banker friends would not be happy to hear that.

Secretary RICE. But they were really very effective units. I watched some people sign for their business loans, and it is very exciting.

So I thank you for what you did on the tsunami. I think we think that was a very useful thing to do, and thank you very much for that.

Senator BENNETT. Thank you, Mr. Chairman.

Senator MCCONNELL. Senator Brownback.

Senator LEAHY. Mr. Chairman, if I could just mention I agree with Senator Bennett on microenterprise. I have worked with several Secretaries of State on that. Both Senator McConnell and I have tried to put money in for it. I think it is a great idea.

You mentioned the land mines. Ironically enough, the work we have done on land mines and the work we have done on microenterprise often complement each other because microenterprise

loans have been used often in places where people have had everything devastated because of land mines. They are not either/or, by any means. I know the Senator was not suggesting that. We should work closely together.

Senator BENNETT. Thank you. I do not know the source of this, but I have been told that when money goes to men, they get fatter and drunker and nothing else happens in the community, but when money goes to women, the birth weight of children increases and the health of the community as a whole improves. So let us keep the money going to the ladies.

Senator MCCONNELL. Senator Brownback, to be followed by Senator Harkin.

STATEMENT OF SENATOR SAM BROWNBACK

Senator BROWNBACK. I have not seen the empirical data on that. Maybe it is accurate.

Welcome, Secretary. Always a delight to see you and to work with you. You have got a great track record.

MIDDLE EAST ELECTIONS

I would note, in particular, what is taking place in the Middle East today which is just a matter of, I think, great encouragement to see what is taking place. I was recently in Iraq about a month and a half ago, that election having just an electrifying impact on the population, spilling over into Lebanon, seeing the Syrians move out. It is my hope that this Syrian regime that is currently in place starts to get the idea that democracy is a good thing and moving that way. Egyptians hopefully holding multiparty elections, although it seems to me there is a bit of retrenchment on that note. If there is something different on that, I would like to hear it.

Iran the chairman has already asked about. I do think and I hope we can do more on civil society building, interior and exterior, on Iran. We have got some money in this budget the last 2 years for that, and I hope we can continue that because that seems to me is the biggest terrorist bed still remaining. There is a number of terrorist spots, but this is the biggest and the most potent and an open ideology that is very threatening to us and to Israel and to a number of others. To me, Iran is probably one of the most concerning, if not the most concerning, major geopolitical issues that is there.

DARFUR

Thank you on Darfur for reiterating the genocide determination on it. I would urge, as quick as you can, supporting movement of African Union troops and mobility. We put $50 million in the supplemental that just passed for African Union troops. I have been there. You have been in the region. Deputy Secretary Zoellick, just recently there. Every day we lose people. I am absolutely convinced, 20,000–25,000 troops on the ground with mobility, with a broad engagement that they can respond and move and chase the Government of Sudan or the janjaweed forces, this thing is over. We may have lost 400,000 people in the last year and a half there.

It is awful. Just with all speed that you can move on Darfur, you are going to save lives in the process.

NORTH KOREA HUMAN RIGHTS

I want to take you to North Korea, if I can. We passed the North Korean Human Rights Act last year. Your administration has done more on North Korea than anybody else the last number of decades. We just ignored it for a long time. But the numbers I have seen—about 10 percent of that population in North Korea has died over the last 10 years by starvation, gulags. It is horribly repressive.

I just held a press conference this morning showing two death penalties being issued on the border, the trial, the announcement, and then the guy shot within 5 minutes. And people all herded out just to see it just to try to keep people from going across that border.

I believe we are not doing enough to pressure China on this who does hold the key on this. Now, I do not know the numbers, but the numbers I keep hearing are at 100,000-plus North Koreans in northern China and they continue to gather them up, repatriate them, and then they are thrown in a gulag or killed.

I would hope you could appoint that special envoy on North Korean human rights.

I would really ask if you could look at starting to allow North Korean refugees to come into the United States. That authority was given to you in that human rights act. It would send a powerful message to that region of the world. I have got a couple of sick girls to nominate. If you are concerned about the security—I keep hearing from the State Department, well, we cannot check the security of the North Korean refugees. I have got two. One is, I think, 12 and another 13-year-old girl—or 12 and 14. They are sisters. One is sick and needs medical assistance. I do not think there is a security issue with either of them. But it is a huge statement because they have not been allowed into the United States today. If you could look at that.

OSCE/KYRGYZ/GEORGIA

Then in my hat as the chair of the OSCE, the Helsinki Commission, here just beautiful things taking place in that region. I am watching carefully—and I know you are—the Kyrgyz and what takes place there. That one, after the Ukraines and the Georgians, seems a little bit different taste of an overthrow than what the two—nonetheless, holds great promise to really move that country forward positively. But I do think we are going to need to invest time and money. Small country but significant and would have a significant impact.

Then coming up, I think it is, September—maybe it is November—this fall Azerbaijan is holding elections. I just last week talked to the President, Ilham Aliyev, about their elections. They need to set up now for clean, fair, good elections. I think they know it, but they are so strategic where they sit between Russia and Iran. The oil pipeline is through that region. I think we have got to keep pushing them that, look, you do not just 2 weeks ahead of the election say, okay, we are going to have good, clean, fair elec-

tions and everything happens. It is months in advance, and parties are allowed to compete and they are allowed access to the press. And if that does not happen and you get something that happens here in the region, we cannot really stand by you and say, well, okay, I guess it was a fair election. I was conveying that and I hope others can as well.

UGANDA

This is a final comment and this is a whole bunch of them. But I was just in northern Uganda in December. Our embassy there supports providing mobility, helicopters and trucks, to the Ugandan Government to chase the LRA, a group of bandits, and a million and a half people in refugee camps for 15 years. I think they are significantly weakened, and mobility might just be the issue. We have worked with the State Department and Defense. They have some issues with doing that even though our embassy there supports it. If there is a chance that you could look at that, because if we can get Joseph Kony and his leadership and now with the North-South Agreement, we should be able to reduce their areas they can go into in southern Sudan for refuge, you will again free another million people to go back to a normal lifestyle that have been on the run for 15 years. So it is a tougher call, I will wage, but I would ask you if you could look at that issue.

Any of those you care to respond to or if you want to just take them under advisement.

Secretary RICE. Well, thank you, Senator. I will look into the Ugandan issue. I know that there are some questions about it, but I will look it into and get back to you on the Uganda LRA.

We have identified a special envoy for North Korean human rights. There should be an announcement of that very soon. We still have some details to work out, but I think we should be able to do that soon. I think it is a very important issue. We do need to shine more of a spotlight on the human rights issues in North Korea. We are working with Homeland Security and with others about what we might be able to do on North Korean refugees. So we should talk more about that.

I would like very much to thank you for what you have been doing on the OSCE because I think the OSCE is really proving its worth as an organization. Kyrgyzstan was a very good example. We got OSCE mobilized. They sent Mr. Pederly there as an envoy who I think sorted out what was an complicated and difficult and not at all transparent situation between the various players in Kyrgyzstan and gave us an opportunity now to have elections and something that may turn out very well. So it is an organization I think that demonstrated its worth.

We are very pleased that after a long, cold period with the Russians, they finally approved the budget for the OSCE. That is good news.

We will continue to press all of these countries, including Azerbaijan, Belarus in 2006, that the world is watching whether elections are free and fair. Now, in some I think we will get less response—like in Belarus. I think in Azerbaijan, however, we have a chance to convince the Azerbaijani Government that they have a reason to be concerned about this.

So I thank you, and I think it is an extremely important organization that is doing really good work in that part of the world.

Senator BROWNBACK. Thank you.

Senator MCCONNELL. Thank you very much, Senator Brownback.

Senator Harkin.

STATEMENT OF SENATOR TOM HARKIN

Senator HARKIN. Thank you very much, Mr. Chairman.

Madam Secretary, welcome again to the committee.

DISABILITY PROGRAMS

I just have kind of a follow-up on something we have discussed on February 17 when you were here, and that has to do with the whole area of disability programs in the State Department and what we are doing in Iraq. I asked at that time that you look into whether people with disabilities in Iraq are receiving appropriate services to help get them included in Iraqi society.

Today we received a letter from the Assistant Secretary for Legislative Affairs that outlines USAID activities for people with disabilities in Iraq. It is pretty comprehensive. It appears that there are things that are being done. I am very grateful for that.

The one thing I would perhaps direct your attention to or those under you, anyway, is the educational services often seem to be provided in a segregated fashion. The document talks about providing educational services for children in a "center for the disabled" in Baghdad and then transferring them to another facility once they complete their education.

In another instance, a community action program is working with an NGO to establish "an institute for the disabled" rather than educating students with disabilities alongside their peers.

Now, the only thing I would hope is I would hope that you might just send a memorandum down the line to these people under you and just use the words "integrated fashion," that the people with disabilities ought to be provided this help and support in an integrated setting, not separating them out from the rest of society, but to the maximum extent possible, providing that in an integrated setting to the maximum extent possible. That is all I ask, that you might get them to think about it in that framework.

Section 579 of the 2005 omnibus bill. Again, I thank the chairman and the ranking member of this subcommittee for supporting that section 579. There were five specific requirements listed under disability programs. One was to have USAID and the Secretary of State to designate a disability advisor or coordinator within the respective agencies. At the hearing on September 17, I asked you if those people had been designated. I still do not know if they have been designated. If you do not know, could you just have somebody tell me whether they have been designated yet?

Secretary RICE. Yes.

COORDINATOR FOR DISABILITIES

Senator HARKIN. A coordinator, a certain person to coordinate that.

Also, one other section of the five specific requirements requires that the Secretary of State and USAID Administrator seek to ensure the needs of persons with disabilities are addressed in democracy, human rights, and rule of law programs, projects and activities that they support. And while I am not asking you to provide me that information now, but if you could provide what affirmative steps have you taken to make sure that this occurs, and could you give any examples of how persons with disabilities are being included in the democracy, human rights, and rule of law programs, projects, and activities?

Secretary RICE. Senator, do you mean in Iraq specifically or in general?

Senator HARKIN. No. In your own Department.

Secretary RICE. Oh, in our own Department. Disabled Americans, disabled employees of the State Department. Is that what you are referring to? I am sorry. I did not understand.

Senator HARKIN. You have the democracy, human rights, and rule of law programs.

Secretary RICE. Yes.

Senator HARKIN. And you have projects and activities.

Secretary RICE. Yes.

Senator HARKIN. How are persons with disabilities being included in those programs, not just here but as you extend out and do those programs in other countries, how are they being included in those programs.

Secretary RICE. I understand. I could actually give you one example that I just saw. I was just in Russia, and we met with civil society groups there. There was both a representative of Special Olympics for Russia and a person who is an advocate for the disabled in Russia. And this is a case that I know well because I know that for a long time in the old Soviet Union, disability was considered something to be hidden.

Senator HARKIN. That is right.

Secretary RICE. In fact, after World War II, they swept disabled veterans off the streets because it was somehow considered a stain on the society to have disabled people.

I was struck by the fact that these people were there, that they actually had disability advocates. They are part of the civil society programs we are funding.

Senator HARKIN. Great.

Secretary RICE. I was told that President Putin had actually invited, people think for the first time in the history of Russian leadership, disabled people to the Kremlin for a meeting. So that is just one small example and I will try to get you some others. But I was very touched by that one because I do know the Soviet case very well.

Senator HARKIN. It is a great example. I did not know about it, but that is a great example. I just again encourage you to take that example and keep promoting it in all the other countries in which we are operating, but especially in Iraq because there are a lot of young people that have become disabled because of the war and other things. If we are going to try to help build a democratic system in Iraq, I would hope that we would think about, again, how we include people with disabilities in a more integrated setting

rather than segregating them out like you just talked about the Soviet Union used to do all the time.

PUBLIC LAW 480/USAID

Last, Mr. Chairman, if I could, Madam Secretary, a few weeks ago Chairman Chambliss and I, chairman and ranking member of the Agriculture Committee, wrote a letter to the chairman and ranking member of the full Appropriations Committee opposing the idea of diverting $300 million from Public Law 480, Title II Food for Peace Program to a separate account operated by the USAID, Agency for International Development. The idea behind it is good because the idea behind it was to allow USAID to be able, in emergency settings like tsunamis, to go out and purchase food locally and get it out there right away rather than relying upon shipments from this country. That is good. That is fine.

What is not fine is that they are going to take it out of the account for the existing Public Law 480 to do that. The Public Law 480 program, for all the years I have been here, now 30, that we have looked at, it has been a great program. Some countries, as you know, face chronic malnutrition, and have chronic needs for continued food aid. I just do not think it is right to cut down on that in case there is an emergency somewhere.

So while I support the idea of restructuring and giving you the power to be able to get USAID to have a separate fund to buy food locally, both Senator Chambliss and I are opposed to the idea of taking it out of the existing Public Law 480 account. So, again, I just wanted to bring that to your attention and hope that you would ask your boss also to take a look at that and leave the Public Law 480 program the way it is. I am sure that you will find all the support you need here for the additional $300 million for the program that would be set up by USAID.

Secretary RICE. Thank you, Senator.

Senator HARKIN. Thank you, Mr. Chairman.

Senator LEAHY [presiding]. Senator McConnell had to leave to go back to the floor. We are trying to figure out whether we are going to get a transportation bill through today. He has asked me to wrap up and not to cut anybody off. Did the Senator from Kansas have anything else?

Senator BROWNBACK. No.

Senator LEAHY. I will submit some more questions on Colombia. I still have a concern. We all want President Uribe to succeed. We want cocaine to stop coming into our country. It would help if we did more to stop the demand here at home. We could isolate Colombia. We could do anything we wanted. As long as Americans want to buy illegal drugs, there are dozens of places, including our close ally Afghanistan that will send it. We have got to clean up our own act. But my concern is more about the paramilitaries and what we do with the billions of dollars we spend down there and how we help ensure that human rights are respected.

Let me ask you this. The State Department is just one of many agencies using an increasing number of private security contractors protecting people and cargo overseas. I am not talking about the regular State Department security people who are superb. I have traveled with them. You do all the time, of course.

We have DynCorps and Black Water Security, and others, that use ex-military personnel as hired guns in Iraq and Afghanistan, Colombia, and other countries. Tragically, many of these contractors have been killed in Iraq. But many have also been involved in the deaths of others, sometimes innocent people. What I want to know—and I really want the answer to this. It may have to be in classified form. I want to know what are the rules governing the use of lethal force by private security contractors who are paid directly or indirectly by the State Department. That is my first question.

SECURITY

And what happens when a private security contractor paid by the State Department deployed overseas runs over somebody with a vehicle, shoots an innocent person, or otherwise causes harm on the job or off the job? Who is responsible? Are they or are we? So if somebody could get me that.

Secretary RICE. Absolutely, Senator.

MARLA RUZICKA WAR VICTIMS FUND

Senator LEAHY. I appreciate your interest in being at the program for Marla Ruzicka this weekend. I understand the reason why you cannot. I would just hope, please, emphasize to the people in your Department the tremendous work this young woman did in Baghdad and Afghanistan. She was killed so tragically about a month ago. I think she was a model. We have in the bill that just passed, the supplemental, as you know, a provision to name the fund after her.

Secretary RICE. Victim Support, yes. Thank you.

Senator LEAHY. This is an example of one person, so motivated—and you have within the State Department and elsewhere such people. We have them outside Government. Let's support them so they can get out there and help people.

Secretary RICE. Thank you, Senator. I completely agree with that. Thank you for acknowledging Ms. Ruzicka. We appreciate that very much and want to acknowledge her service.

If I may just say one thing about Colombia. I just want to assure you, Senator, when I was in Colombia, we spent a good deal of time on the issue of the paramilitaries, a good deal of time on the issue of the human rights issues. President Uribe tells us—and I believe him—that he believes that in order to be a really functioning, transparent, worthy democratic society, that they have to have human rights at the core of what they are doing. He is more than willing to answer the questions that we have about human rights. Of course, we have a number of them. But I just wanted you to know that this was an issue of considerable discussion when I was in Colombia.

Senator LEAHY. Well, and I am sure of it because I have met with him several times. We have talked on the phone. We have met at the embassy and in my office. I want him to succeed. I want whoever is president there to bring peace and democracy. I know that he risks his own life and his family's life. I just want to make sure that especially within our hemisphere, that people have respect for the United States and we are upholding our own stand-

ards of human rights. That is why I am glad you have had those meetings with him. I will continue to meet with him too. Thank you.

Secretary RICE. Thank you.

ADDITIONAL SUBCOMMITTEE QUESTIONS

Senator LEAHY. There will be some additional questions which will be submitted for your response in the record.

[The following questions were not asked at the hearing, but were submitted to the Department for response subsequent to the hearing.]

QUESTIONS SUBMITTED BY SENATOR PATRICK J. LEAHY

Question. What are the rules governing the use of lethal force by private security contractors who are paid directly or indirectly by the State Department?

Answer. State Department-funded security contractors, Protective Security Specialists (PSS), are subject to the Department's policies governing the use of deadly force and Rules of Engagement developed by each Embassy and approved by the Chief of Mission. The Department's policy on the use of deadly force and Embassy Baghdad's Rules of Engagement are attached.

12 FAM 023 EXHIBIT 023 DEPARTMENT OF STATE DEADLY FORCE AND FIREARMS POLICY

(TL:DS-60; 10-01-1999)
(Effective Date: 11-20-1998)

1. DEADLY FORCE

1.1 Deadly Force, General

1.1A Definition of "Deadly Force"

"Deadly force" is the use of any force that is likely to cause death or serious physical injury. When an agent uses such force, it may only be done consistent with this policy. Force that is not likely to cause death or serious physical injury, but unexpectedly results in such harm or death, is not governed by this policy.

1.1B Probable Cause for the Use of Deadly Force

Probable cause, reason to believe or a reasonable belief, for purposes of this policy, means facts and circumstances, including the reasonable inferences drawn therefrom, known to the agent at the time of the use of deadly force, that would cause a reasonable agent to conclude that the point at issue is probably true. The reasonableness of a belief or decision must be viewed from the perspective of the agent on the scene, who may often be forced to make split-second decisions in circumstances that are tense, unpredictable, and rapidly evolving. Reasonableness is not to be viewed from the calm vantage point of hindsight.

1.2 Deadly Force Policy

1.2A Principles on Use of Deadly Force

The Bureau of Diplomatic Security recognizes and respects the integrity and paramount value of all human life. Consistent with that primary value, but beyond the scope of the principles articulated here, is the full commitment by DS and the Diplomatic Security Service (DSS) to take all reasonable steps to prevent the need to use deadly force, as reflected in DS training and procedures. Yet even the best prevention policies are on occasion insufficient, as when an agent serving a warrant or conducting surveillance is confronted with a threat to his or her life. With respect to these situations and in keeping with the value of protecting all human life, the touchstone of the DSS policy regarding

the use of deadly force is **necessity**. Use of deadly force must be objectively reasonable under all the circumstances known to the agent at the time.

1.2B Permissible Uses

a. The necessity to use deadly force arises when all other available means of preventing imminent and grave danger to agents or other persons have failed or would be likely to fail. Thus, employing deadly force is permissible when there is no safe alternative to using such force, and without it the agent or others would face imminent and grave danger. An agent is not required to place himself or herself, another agent or officer, a suspect, or the public in unreasonable danger of death or serious physical injury before using deadly force. DSS special agents will fire at a person only in response to an imminent threat of deadly force or serious physical injury against the agent, protectees, or other individuals.

b. Determining whether deadly force is necessary may involve instantaneous decisions that encompass many factors, such as the likelihood that the subject will use deadly force on the agent or others if such force is not used by the agent; the agent's knowledge that the subject will likely acquiesce in arrest or recapture if the agent uses lesser force or no force at all; the capabilities of the subject; the presence of other persons who may be at risk if force is or is not used; and the nature and the severity of the subject's criminal conduct or the danger posed.

c. Deadly force should never be used upon mere suspicion that a crime, no matter how serious, was committed, or simply upon the agent's determination that probable cause would support the arrest of the person being pursued or arrested for the commission of a crime.

1.2C Fleeing Felons

DSS special agents can only use deadly force to prevent the escape of a fleeing subject if there is probable cause to believe:

(1) The subject has committed a felony involving the infliction or threatened infliction of a serious physical injury or death; and

(2) The escape of the subject would pose an imminent danger of death or serious physical injury to the agent or to another person.

1.2D Lesser Means

1.2D-1 Intermediate Force

If force less than deadly force could reasonably be expected to accomplish the same end, such as the arrest of a dangerous fleeing subject, without unreasonably increasing the danger to the agent or to

others, then it must be used. Deadly force is not permissible in such circumstances, although the reasonableness of the DSS special agent's understanding at the time deadly force was used will be the benchmark for assessing applications of this policy.

1.2D-2 Verbal Warnings

Prior to using deadly force, if feasible, DSS agents will audibly command the subject to submit to their authority. If, however, giving such a command would itself pose a risk of death or serious physical injury to the agent or others, it need not be given.

1.2E Warning Shots and Shooting to Disable

a. Warning shots are not authorized. Discharge of a firearm is usually considered to be permissible only under the same circumstances when deadly force may be used—that is, only when necessary to prevent loss of life or serious physical injury. Warning shots themselves may pose dangers to the special agent or others.

b. Attempts to shoot to wound or to injure are unrealistic and, because of high miss rates and poor stopping effectiveness, can prove dangerous for the officer and others. Therefore, shooting merely to disable is strongly discouraged.

1.2F Motor Vehicles and Their Occupants

Shooting to disable a moving motor vehicle is forbidden. A DSS agent who has reason to believe that a driver or occupant poses an imminent danger of death or serious physical injury to the agent or others may fire at the driver or an occupant only when such shots are necessary to avoid death or serious physical injury to the agent or another, and only if the public safety benefits of using such force reasonably appear to outweigh any risks to the agent or the public, such as from a crash, ricocheting bullets, or return fire from the subject or another person in the vehicle.

1.2G Vicious Animals

Deadly force may be directed against vicious animals when necessary in self-defense or the defense of others.

1.3 Investigation of Incidents of Deadly Force

1.3A Investigative Jurisdiction

The Federal, State, or local law enforcement authority having jurisdiction will conduct the investigation of the incident of deadly force. DSS personnel will cooperate fully with the investigating authority.

1.3B Diplomatic Security Service Investigation

The Chairman, Firearms Policy Review Board, shall establish

procedures for internal review and investigations.

1.4 Administrative Leave/Duty

DSS special agents who make use of deadly force will be placed, as circumstances dictate, on administrative leave or assigned to duties not requiring the carrying of a firearm.

1.5 Psychological Services

In all cases where any person has been injured or killed as a result of use of deadly force by a DSS special agent, the involved special agent should undergo a debriefing by a qualified, practicing psychologist as soon as practical. In all such cases, the Department will make available to the involved special agent and his or her family the services of a Department-furnished psychologist to provide them with a source of professional consultation to aid them in dealing with the potential emotional after effects of the incident.

2. FIREARMS

2.1 Authority to Carry Firearms

Section 2709 of Title 22, United States Code, authorizes special agents of the U.S. Department of State to carry and use firearms in the performance of their duties with respect to investigating passport and visa issuance or use and performing protective functions.

2.2 General Policy

2.2A Authorization to Carry Firearms

Special agents of the Diplomatic Security Service (DSS) who:

(1) Are not disqualified by Public Law 104-208 (18 U.S.C. 922(g)) relating to convictions for misdemeanor crimes of domestic violence, or any similar law, from possessing a firearm and ammunition; and

(2) Have qualified in accordance with section 2.4 below; and

(3) Conduct investigations of illegal passport and visa issuance or use or protect and perform protective functions related to maintaining the security and safety of:--

(a) Heads of a foreign state, official representatives of a foreign government, and other distinguished visitors to the United States, while in the United States;

(b) The Secretary of State and the Deputy Secretary of State; and

(c) Official representatives of the U.S. Government in the United States or abroad, and their immediate families, or others as may be designated by the Secretary of State;

Are authorized to carry firearms pursuant to 22 U.S.C. 2709 and these regulations.

2.2B Responsibility

A DSS special agent is responsible for having a complete understanding of his or her authority and its limitations, and of these regulations.

2.2C Issues Requiring Clarification

All issues relating to these regulations which require clarification shall be directed to the Bureau of Diplomatic Security (DS) Firearms Policy Review Board (FPRB). The Director of DSS chairs the FPRB.

2.3 Authorized Firearms and Related Equipment

2.3A In General

DSS special agents may carry only handguns, holsters, support weapons (including submachine guns, shotguns, and specialized firearms) and ammunition that the Department of State, through the FPRB, has issued or approved.

2.3B Arrest Situations

The special agent in charge (SAC), the assistant SAC (ASAC), or the division chief shall decide whether to deploy support weapons in an arrest situation.

2.4 Qualification

2.4A In General

To be authorized to carry a Department-issued or approved firearm, a DSS special agent shall qualify by meeting or exceeding a specified score on the DS qualification course with a Department-issued or approved firearm in accordance with the following section. Under no circumstance shall a DSS special agent carry a firearm if he or she has not successfully completed required firearms qualification or familiarization procedures within the past 12 months.

2.4B DSS Special Agents Stationed in the United States

2.4B-1 Frequency of Qualification

All DSS special agents stationed in the United States shall qualify with Department-issued or approved shoulder weapons and handguns every four months.

2.4B-2 Responsibility for Qualification

The SAC of each field office or the division chief for each headquarters division shall ensure that each DSS special agent under his or her command is qualified as required every four months.

However, when a warranted exception such as illness, travel, change of assignment station, TDY, or an extended training assignment creates a reasonable administrative need to extend the four-month rule, the responsible supervisor shall ensure that each special agent qualifies at the earliest scheduled availability of the firing range facility at the agent's duty station.

2.4B-3 Notification of Qualification

The firearms instructor at the DS firing range (firing range instructor), or agents designated as the firearms officers at DS field offices (see section 2.10 below), shall ensure that the Diplomatic Security Training Center (DSTC) Registrar is notified of DSS special agent qualifications.

2.4C Regional Security Officers, Assistant Regional Security Officers, and DSS Special Agents on Assignment Outside the United States

2.4C-1 Frequency of Qualification

Regional security officers (RSOs), assistant regional security officers (ARSOs) and DSS special agents assigned as permanent change-of-station (PCS) personnel or on temporary duty (TDY) assignment abroad, who are qualified at the time of departure, shall be considered to remain qualified while outside the United States. At a minimum, agents shall conduct familiarization firing with their DS-issued or approved handguns once each year while abroad. All personnel returning from abroad who have not requalified within the previous four months shall requalify as soon as possible.

2.4C-2 Responsibility for Requalification or Familiarization Firing

The RSO, in consultation with the chief of mission, is responsible for ensuring that he or she, the ARSO, and other DSS special agent assigned abroad, are appropriately qualified; or, that they have conducted familiarization firing in conformance with these guidelines.

2.4C-3 Notification of Qualification

Each RSO, ARSO and other DSS special agent assigned abroad, shall notify the Registrar's Office at the Diplomatic Security Training Center of his or her qualification, or familiarization fire.

2.4D Firing Range Procedures

The firing range instructor shall provide qualification and familiarization training to State Department personnel and to other persons as authorized by the Assistant Director for Professional Development, Diplomatic Security Training Center. The firing range instructor shall ensure that all training is conducted safely in accordance with FPRB-approved guidelines, lesson plans, and manuals provided by

the Diplomatic Security Firearms and Explosives Training Unit.

2.5 Prescription Medication

A DSS special agent who is taking prescription medication, except for short-term antibiotics, anti-malarial prophylaxis, or oral contraceptives, which are not already a matter of record with M/MED, shall notify his or her supervisor and submit a medical certificate or other administratively acceptable documentation of the prescription and its effect(s) to the Domestic Programs Division of the Office of Medical Services (M/MED) immediately after beginning the medication. M/MED will review the information and make a recommendation to DSS. DSS shall determine whether such DSS special agent shall be allowed to continue to carry a firearm while taking the medication. Pending DSS's determination, the DSS special agent shall not continue to carry a firearm. DSS shall review such determinations at least annually for as long as the medication is being taken.

2.6 Standards of Conduct for Armed DSS Special Agents

2.6A General Responsibilities

a. DSS special agents shall remember at all times the serious responsibility and potential dangers attendant in their authority to carry firearms and conduct themselves accordingly.

b. As special agents of the Department of State, DSS special agents are accountable for their actions and shall conduct themselves in a manner which shall not bring discredit to the Department or to themselves.

c. A DSS special agent shall treat a firearm at all times as if it were loaded.

d. All incidents involving misconduct with a firearm shall be reported immediately to the DSS Director. Any such incidents shall be considered serious, and the DSS special agent involved may be subject to disciplinary action as set forth in section 2.15.

2.6B Activities Specifically Prohibited

The following activities are specifically prohibited for DSS special agents while armed:

(1) Careless or irresponsible behavior;

(2) Careless or unnecessary display of a firearm in public;

(3) Dry-firing or practicing quick draws other than during training or qualification practice;

(4) Threatening a person, or making an unwarranted allusion to being armed, in any situation not directly related to an official purpose;

(5) Consumption of any alcoholic beverage while armed, or six hours prior to being armed, or at any time prior to being armed sufficient to impair an agent's judgment or ability to perform his or her duties;

(6) Use of medications or drugs that may impair judgment or ability while on duty (see section 2.5 above);

(7) Carrying or using any firearm, ammunition, or related equipment not specifically issued or approved by the Department of State, FPRB; or

(8) Carrying or using a modified firearm not previously approved by the DS armorer.

2.7 Availability of Firearms

2.7A In the United States

a. DSS special agents may be authorized by the Director of DSS, pursuant to internal procedures, to carry firearms while in the United States if the Director concludes that their responsibilities necessitate possession of a firearm for protective functions or criminal investigations. Such authorized firearms possession may include the transport of firearms to and from official assignments, in addition to possession while on duty, while on official travel, while using a U.S. Government vehicle, and while at a private residence (subject to secure storage requirements discussed at section 2.8C).

b. Pursuant to internal procedures as the Director of DSS may prescribe, authority to carry firearms may be extended for individual agents by the Director to other specific off-duty periods, including leave periods, upon a written determination that off-duty possession by a DSS agent is necessitated by that agent's required availability for rapid response directly to a protective or investigative assignment and that the agent has identified a means of securing that firearm for periods in which it is not in the agent's physical possession. Any such written extension of firearms authority shall be re-evaluated, and reissued only if necessary, following changes in the named agent's assignment or duties.

2.7B Abroad

DSS special agents may carry their firearms abroad in accordance with written approval by the chief of mission or principal officer consistent with applicable statutory authority.

2.8 Securing Firearms

2.8A In General

a. A DSS special agent is responsible for maintaining the safety and security of his or her firearm. As provided below, a DSS special agent shall secure his or her firearm in one of the following storage locations:

(1) In the DSS special agent's safe, or barlock cabinet, provided the DSS special agent locks it when he or she is not present; or

(2) In a centrally and safely located safe or weapons safe, or barlock cabinet, designated by the SAC or the division chief.

b. A DSS special agent shall not store his or her loaded firearm in a briefcase or luggage, even if it is locked.

2.8A-1 Field Office

In a field office, a DSS special agent may carry his or her authorized handgun. If a DSS special agent chooses not to carry his or her handgun in the field office, the DSS special agent shall secure it in accordance with section 2.8A above.

2.8A-2 Headquarters

In headquarters, all DSS special agents, except those having specific protective responsibilities, shall secure their firearms in accordance with section 2.8A above.

2.8A-3 Abroad

An RSO, ARSO, or other DSS special agent assigned abroad shall secure his or her firearm in a safe storage location designated by the RSO, in accordance with the chief of mission's firearms policy.

2.8B Securing Firearms Prior to Annual Leave

A DSS special agent shall secure his or her firearm at one of the locations specified in section 2.8A before beginning annual leave that is longer than 72 hours, unless otherwise informed pursuant to section 2.7A or 2.7B that he or she may be subject to recall.

2.8C Securing Firearms at a DSS Special Agent's Residence

a. The Department of State shall provide a safety locking device, accompanied by instructions for its proper use, as a means of securing the special agent's Department-issued or approved handgun at his or her residence.

b. The special agent is required to use this device or a Department-approved security container whenever the firearm is not in the agent's possession.

2.9 Loss or Theft of Firearms

2.9A In the United States

a. If a DSS special agent loses his or her firearm, or if the firearm is stolen, the DSS special agent shall immediately notify the local law enforcement authority with investigative jurisdiction.

b. The DSS special agent shall immediately report any loss or theft to his or her supervisor who shall promptly notify DS headquarters. On the next business day, the DSS special agent shall prepare a memorandum, through his or her immediate supervisor, to the Director of the Diplomatic Security Service, thoroughly explaining the circumstances of the loss. The DSS special agent's supervisor shall promptly forward copies to the Director of the Office of Investigations and Counterintelligence (DSS/ICI) and the Chief of the Protective Equipment and Logistics Division (CIS/PSP/PEL), and shall promptly transmit the identification marking of the weapon to the National Crime Information Center (NCIC).

2.9B Abroad

a. If an RSO or ARSO, or other DSS special agent assigned abroad, loses his or her firearm, or if the firearm is stolen, the RSO or ARSO may notify local law enforcement authorities at the chief of mission's discretion.

b. The RSO, ARSO, or other DSS special agent assigned abroad, shall cable a written report within 24 hours to the DSS Director, the Director, Office of Investigations (DSS/ICI), and the Chief, Protective Equipment and Logistics Division (CIS/PSP/PEL).

2.10 Firearms Officers

2.10A Designation

Each field office, headquarters division, and RSO shall designate a DSS special agent as the firearms officer and a DSS special agent as the alternate firearms officer. The firearms officer and the alternate firearms officer shall complete a DS-approved instructor's course and shall be responsible for ensuring that adequate firearms instruction is provided to all DSS special agents assigned to his or her field office, division, or post.

2.10B Responsibilities

The firearms officer or, when unavailable, the alternate firearms officer, shall:

(1) Maintain custody and provide proper storage of firearms and ammunition that are not assigned to specific DSS special agents;

(2) Store firearms and ammunition that are not assigned to specific DSS special agents in vaults, safes, or metal file cabinets secured with a bar lock;

(3) Maintain a Firearms Inventory Control Sheet and an Ammunition Inventory Control Sheet to record issuances and returns of firearms and ammunition and retain these logs by fiscal year and forward completed copies of these logs to the Diplomatic Security Training Center at the end of each requalification;

(4) Distribute firearms cleaning kits to the DSS special agents so they may maintain their Department-issued or approved firearms in a clean and serviceable condition at all times;

(5) Make periodic unannounced inspections of firearms and holsters and report the failure of any DSS special agent to comply with the standards of care, storage and maintenance published in these regulations to the SAC, division chief or RSO for appropriate action;

(6) Maintain Individual Firearms Qualification Records and forward copies of completed forms to the Diplomatic Security Training Center;

(7) Inspect firearms used for qualification prior to qualification and note the condition of the firearms in the Firearms Qualification Record.

2.11 Carrying Firearms on Aircraft

DSS special agents shall comply with all applicable FAA regulations and orders of the captain of the aircraft on which they are travelling or proposing to travel. The Chairman of the Department's Firearms Policy Review Board (FPRB) shall issue internal guidelines consistent with FAA regulations.

2.12 Other Transportation of Firearms

In all other circumstances of transporting a firearm, regardless of the mode of transportation or shipment (e.g., with household effects or in checked baggage), DSS special agents shall, consistent with relevant U.S. and local laws, regulations, and procedures, including declarations that may be required by the U.S. Government, local law enforcement authorities or the carrier, ensure that their firearms are unloaded and carried in locked containers suitable for the mode of transportation.

2.13 Drawing Firearms when Making an Arrest

A DSS special agent will not draw his or her firearm when making an arrest unless confronted with the threat of deadly force or serious physical injury. This is a question of judgment. In making this judgment, the DSS special agent shall take into account the subject's previous arrest record, his or her evaluation of the subject, and the circumstances under which the arrest is being made.

2.14 Discharges

2.14A All Discharges by DSS Special Agents

The following procedures shall be followed in all cases involving the discharge of a firearm issued or approved by the FPRB by a DSS special agent, except discharges during training or qualification practice.

2.14A-1 Representation

Pursuant to 3 FAM 4139.12, entitled "Employee Representative," a DSS special agent shall be advised of the right to have his or her own representative present at any meeting when the DSS special agent is asked by authorized officials to provide information regarding his or her discharge of a firearm.

2.14A-2 Reporting

a. A DSS special agent who has discharged a firearm shall orally report such discharge immediately to his or her direct supervisor and shall prepare a written report delineating the circumstances of the discharge within 24 hours.

b. In the United States:

(1) If the DSS special agent was working on a protective detail, he or she shall orally report the discharge and submit the written report to the SAC of the detail. If the DSS special agent was assigned to a field office, he or she shall orally report the discharge and submit the written report to his or her supervisor and the SAC of the field office. Other DSS special agents who are within the continental United States shall orally report the discharge and submit the written report to his or her direct supervisor;

(2) The supervisor shall immediately take possession of the firearm and secure it as possible evidence. The special agent shall be immediately relieved from any duty that involves carrying a firearm pending authorization of rearming by the DSS Director. The supervisor shall immediately advise the DSS Director by telephone. The supervisor shall forward the written report immediately upon receipt to the DSS Director with appropriate additional comments and recommendations.

c. Abroad: The RSO or ARSO, or other DSS special agent assigned abroad, shall orally report the discharge to the DSS Director and the appropriate principal officer at post. The RSO or ARSO shall cable the written report to the DSS Director within 24 hours. The RSO or ARSO shall also provide a copy of the written report to the appropriate principal officer.

2.14A-3 Investigation

a. Internal investigations of all discharges of firearms shall be

under the direction of the Office Director for Investigations (DSS/ICI). Discharges that occur abroad may be investigated by the RSO in consultation with DSS/OP and DSS/ICI. DSSICI shall submit a report of the investigation to the DSS Director within seven calendar days.

b. Pending the results of the investigation, the DSS special agent who has discharged his or her firearm may be placed on administrative leave or may be assigned duties that do not require the carrying of a firearm.

c. After reviewing the report of investigation, the DSS Director shall determine whether to recommend disciplinary or other action and whether to restore the DSS special agent who discharged the firearm to full duty status.

2.14A-4 Media Inquiries

DSS personnel shall make no comment to the media regarding a discharge. DSS personnel shall refer inquiries from the press regarding a discharge to the DS Bureau's Public Affairs Officer, Security Awareness Staff (DS/EX/PPB/SA).

2.14B Discharge Involving Injury or Death

In addition to the provisions in section 2.14A, above, the following provisions apply to discharges involving injury or death.

2.14B-1 First Steps

After meeting the exigencies of a shooting situation and securing the area as required, the first concern of DS personnel shall be the physical and mental well being of all DSS personnel.

2.14B-2 Notification of Appropriate Law Enforcement Authorities

The responsible DSS supervisor shall notify appropriate law enforcement authorities immediately of the discharge.

2.14B-3 Notification of Family

The DSS special agent whose discharge of a firearm resulted in the injury or death of another person shall be encouraged to contact a member of the agent's immediate family. If the DSS special agent has been injured, or otherwise desires it, a colleague who is personally acquainted with the DSS special agent's family shall make contact. As soon as possible after the discharge, but within 24 hours, the responsible supervisor shall personally contact the DSS special agent and his or her family to offer support and assistance, if needed. It is particularly important that notification of the family occur before media accounts appear.

2.14B-4 Investigation

DSS special agents on the scene at the time of the discharge shall

not investigate the discharge. The firearm that was discharged shall be secured, preserved as evidence, and relinquished to the appropriate law enforcement authority.

2.14C Discharge by Representative of Another U.S. Agency

If a representative of another U.S. Agency discharges a firearm in the presence of a DSS special agent, the DSS special agent shall immediately notify the DSS Director of the circumstances surrounding the discharge. The DSS special agent shall submit a written report on the discharge to the DSS Director within 24 hours. If the discharge occurred abroad, the RSO or his or her deputy shall also immediately notify, and submit a copy of the written report to, the principal officer.

2.15 Disciplinary and Other Action

a. The DSS Director may refer matters that merit disciplinary action to the Director General of the Foreign Service for handling in accordance with 3 FAM 4300. Disciplinary action includes official reprimand, suspension and termination.

b. The DSS Director shall be kept fully informed of any discharge of a firearm by a DSS special agent, or of any incident covered under section 2-6.B (above), which results in an allegation of misconduct with a firearm by a special agent.

c. The DSS Director may reassign a DSS special agent to duties that do not require the carrying of a firearm or order the DSS special agent to undergo remedial training.

d. The DSS Director may refer matters to relevant law enforcement authorities, when appropriate.

3. APPLICABILITY OF POLICY AND REGULATION

Disclaimer: These regulations are set forth solely for the purpose of internal Departmental guidance. They are not intended to, do not, and may not be relied upon to create any rights, substantive or procedural, enforceable at law by any party in any matter, civil or criminal, and they do not place any limitations on otherwise lawful activities of the Department.

4. U.S. LAW ENFORCEMENT AND INTELLIGENCE ACTIVITIES

Rule of construction: Nothing contained in these regulations shall be construed to limit or impair the authority or responsibility of any other Federal law enforcement agency of the United States with respect to investigative, protective, or intelligence activities.

MISSION FIREARMS POLICY

JUNE 2005

U.S. EMBASSY
BAGHDAD
IRAQ

Approved: _____
Zalmay Khalilzad
Ambassador

Date: _____

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MISSION FIREARMS POLICY
American Embassy – Baghdad

I. INTRODUCTION

This policy is in accordance with U.S. Department of State Foreign Affairs Manual 12 FAM 023 and applies to all individuals who are under Chief of Mission (COM) Authority.

In accordance with 22 USC 3927, the COM is the ultimate authority in determining who may possess and carry firearms and under what conditions. This policy applies to all U.S. citizens and their dependents (whether civilian or military), direct-hire or contractor, permanently assigned to Post or on temporary assignment, who fall under COM authority. (NOTE: This excludes those under a U.S. Military Regional Combatant Commander.)

This policy also applies to all foreign national employees, third country nationals, and contractors who may be authorized to possess and/or carry firearms, as a result of their duties within the Mission. Furthermore, this policy is only valid within the territory of Iraq.

The regulations and guidelines contained within this Mission Firearms Policy (MFP) supplement the official weapons policies of the various Agencies represented at Post. In areas in which this MFP and those official weapons policies vary, the more restrictive guidelines will be followed.

Finally, all individuals subject to the MFP must acknowledge in writing that they have read, understand, and will comply with the MFP.

II. DEFINITIONS

For the purpose of the MFP, official "firearms" are defined as those weapons owned by the U.S. Government, or personally owned firearms that are: (1) authorized for use by employees serving in security, law enforcement, or similar positions; and (2) required in the performance of their official duties.

"Personal" firearms are defined as those weapons owned by an employee and intended for sporting purposes.

"Employee" is an all-inclusive term for individuals subject to COM authority.

"Armed" is defined as actively carrying a firearm on one's person. Not within a carrying case or accompanied baggage.

III. DEADLY FORCE

Deadly force is the use of any force that is likely to cause death or serious physical injury. When an individual under COM authority uses such force, it may only be done consistent with this policy. Force that is not likely to cause death or serious physical injury, but unrepentantly results in such harm or death, is not governed by this policy.

Probable Cause for the use of Deadly Force

Probable cause, reason to believe or a reasonable belief, for the purposes of this policy, means facts and circumstances, including the reasonable inferences drawn, known to the individual at the time of the use of deadly force, that would cause a reasonable person to conclude that the point at issue is probably true. The reasonableness of a belief or decision must be viewed from the perspective of the individual on the scene, who may often be forced to make split second decisions on circumstances that are tense, unpredictable, and rapidly evolving. *Reasonableness is not to be viewed from the calm vantage point of hindsight.*

Principles on Use of Deadly Force

The United States Department of State recognizes and respects the integrity and paramount value of all human life. Consistent with that primary value, but beyond the scope of the principles articulated here is the commitment by the State Department and the United States Mission Baghdad to take all reasonable steps to prevent the need to use deadly force. The touchstone of Embassy Baghdad policy regarding the use of deadly force is **necessity**. The use of deadly force must be objectively reasonable under all the circumstances known to the individual at the time.

Permissible Uses

a. The necessity to use deadly force arises when all other available means of preventing imminent and grave danger to a specific individual or other persons have failed or would be likely to fail. Thus, employing deadly force is permissible when there is no safe alternative to using such force, and without the use of deadly force, the individual or others would face imminent and grave danger. An individual is not required to place himself or herself, another mission member, other known or unknown individuals or the public in unreasonable danger of death or serious injury before using deadly force. Individuals under COM authority will discharge a firearm at a person only in response to an imminent threat of deadly force or serious physical injury against the individual, those under the protection of the individual, or other individuals.

b. Determining whether deadly force is necessary may involve instantaneous decisions that encompass many factors, such as the likelihood that the subject will use deadly force on the individual or others if such force is not used by the individual; the individual's knowledge of the capabilities of the threatening party or situation; the presence of other persons who may be at risk if force is not used; and the nature and the severity of the subject's conduct or the danger posed.

IV. AUTHORITY TO CARRY FIREARMS

Only employees whose responsibilities involve security, law enforcement, or similar duties may be authorized to carry firearms by the COM in the performance of their official duties.

Normally, only personnel assigned to the following offices will be authorized to carry firearms in the performance of their official duties:

- Regional Security Office
  - Mission Protective Security Specialists
  - Force Protection
- Marine Security Detachment
- Marine Security Forces
- Military Units in support of the COM
- All Federal Law Enforcement Agencies that are under COM
- Local Guard Force
- Other Governmental Agencies as authorized by the COM

To obtain authorization to carry a firearm, each Agency Head or Section Chief must obtain written approval for each employee. The request must be submitted to the COM via the Regional Security Office (RSO). COM authority to carry firearms is valid for the duration of an employee's tour of duty and may be rescinded and/or amended at any time by the RSO with the concurrence of the COM. **Blanket authorization will not be issued for any office.**

Certain U.S. uniformed military units assigned in support of the COM have been granted blanket authorization to carry firearms in the performance of their official duties. However, these units must still abide by the MFP (armed) carry policy within Mission Facilities. Annex A lists the units granted blanket authorization.

COM authority to carry firearms does not automatically imply that an employee has the authorization to be armed within Mission facilities. Employees with the authority to carry firearms but not to be armed within Mission facilities are authorized to transport unloaded firearms to and from secure storage facilities within Mission facilities.

V. CARRY POLICY WITHIN MISSION FACILITIES

All personnel entering mission facilities must download their weapons (chamber empty, magazine removed and weapon on safe) at an approved clearing barrel next to all facility entrances. The only personnel authorized to carry loaded firearms (armed) within Mission facilities are RSO personnel, Mission guard force personnel, Marine Security Guards, Marine Security Forces, Military units in support of the COM, and all Federal Law Enforcement Agencies that are under COM.

VI. PROTECTIVE SECURITY DETAILS NOT UNDER COM

Most protective security details will not be authorized access onto Mission facilities. However, with prior notification and approval from the RSO, protective details may be allowed onto Mission facilities in order to drop their protectee at the entrance to a facility. If this is authorized, the AIC of the detail may also be permitted to disembark from his/her vehicle and escort the protectee within Mission facilities. All other detail personnel must remain inside their vehicle(s) at all times. If there is a need for additional detail personnel to disembark from their vehicle(s) they may only do so if they are unarmed and upon the approval of the RSO.

VII. PRESUMPTION OF PROFICIENCY

The COM requires that all employees covered by this MFP are adequately trained and knowledgeable in the safe handling, firing, transport, and storage of firearms in their control or custody. Each Agency Head or Section Chief is responsible and will be held accountable for ensuring and certifying that the employee has been adequately trained and is knowledgeable in the aforementioned requirements. Agency Heads and/or Section Chiefs will also be required to confirm firearm proficiency levels for each employee in writing to the RSO when requesting COM authority to carry a firearm. The RSO may require verification of proficiency in each case.

The Mission is not responsible for providing firearms familiarization, training, or qualifications. The Mission accepts no responsibility or liability for the misuse of firearms that are carried in accordance with this MFP.

VIII. PERSONAL FIREARMS

Personal firearms are not authorized at Post. This includes firearms that have been procured locally, imported into Iraq or acquired from any source other than official U.S. Government procurement. Personnel who have acquired personal firearms prior to the establishment of the U.S. Mission must surrender the firearm(s) to the RSO office. Any violation of this policy will lead to immediate expulsion from Post.

IX. SHIPMENT

Official firearms assigned to employees who have received COM authority must be shipped to Post in accordance with State Department regulations and consistent with this MFP. Only official firearms may be shipped to post.

Absent specific authorization from the COM, employees may not ship firearms or Special Category Weapons procured in Iraq to the U.S. or any other country. Additionally, employees are advised that all authorized firearms brought into the country must be shipped out at the end of their assignment.

X. STORAGE

Except when being carried in the performance of official duties and consistent with the relevant procedures of this MFP, employees with official firearms must secure them in an appropriate storage container, as approved by the RSO.

Each individual employee will be responsible for the proper storage of all official firearms within their custody and/or control. However, each Agency Head or Section Chief is ultimately responsible for ensuring and certifying that all weapons under his/her purview are stored in accordance with this MFP.

XI. SAFETY

Employees authorized by the COM to possess firearms are expected to exercise good judgment and reasonable caution, in order to avoid negligent discharges or other safety-related issues. Employees who exhibit safety concerns will be subject to disciplinary action per the MFP.

Due to safety concerns, loaded shoulder weapons and Special Category Weapons are not permitted within Mission facilities, except for RSO personnel, Marine Security Guards, Marine Security Forces and other individuals assigned internal defense duties. Violations of this policy may lead to the immediate expulsion from Mission facilities.

XII. INTERNAL DEFENSE

The RSO office is solely responsible for coordinating internal defense for Mission facilities. In the event the internal defense plan is activated, all mission personnel must follow the direction and guidance of internal defense forces personnel. Personnel who are not a part of the internal defense plan must not interfere with or "assist" internal defense forces. Protective security details have no internal defense responsibilities except to cover their respective protectees.

XIII. INVENTORY REQUIREMENTS

Each Agency Head and Section Chief is required to maintain an inventory of all firearms and Special Category Weapons maintained by their office. A copy of the inventory must be provided to the RSO by January 1 of each year.

XIV. RESTRICTION ON THE USE OF ALCOHOL AND DRUGS

Employees will not consume any alcoholic beverages while armed or consume any alcohol six hours prior to working. When an employee's agency has a more restrictive policy regarding the consumption of alcohol, the more restrictive policy will apply. Employees using any prescription medication that would impair their judgment may not carry a firearm. Use of illegal drugs or controlled substances while armed is strictly prohibited. An employee who is caught breaking this policy will be relieved of their firearm and may be denied future access to the Embassy compound.

XV. INCIDENTS OR ACCIDENTS INVOLVING FIREARMS

In addition to whatever reporting obligations are required by the respective Agencies, employees must immediately report the following events verbally to the RSO/TOC Room N100E, and submit a written report within 24 hours:

A. Loss or theft of a firearm;
B. Any discharge of a firearm;
C. All incidents in which any individual under Chief of Mission authority was threatened or involved in an incident in which the individual attempted to use deadly force;
D. Death or injury resulting from the use of a firearm; and
E. Any inappropriate display of firearm in public.

The discharge of a firearm for qualifications, training or competition purposes is specifically exempt from this notification requirement.

XVI. NON-U.S.G. PERSONNEL

Normally, only personnel authorized by the COM will be permitted to carry firearms within Mission facilities. However, through prior coordination with the RSO, exceptions, such as third country national and local national bodyguards accompanying their protectee or high-ranking police or military officers, may be granted specific exceptions to this prohibition. Third country national personnel (Mission Protective security services personnel) employed by the U.S. Mission may be authorized to carry firearms in the performance of their official duties.

All offices requesting an exception to this regulation must coordinate these requests with the RSO at least 24-hour in advance. The office responsible for coordinating the visit may be tasked to provide armed-escorts.

XVII. ISSUING WEAPONS TO LOCALLY ENGAGED STAFF

Official firearms will not be issued to Locally Engaged Staff (LES) for any reason.

XVIII. SPECIAL CATEGORY WEAPONS

Special Category Weapons (SCW) are defined as any explosives, improvised explosives or incendiary devices, grenades, rockets, shells or mines and any means of discharging such items and crew-served weapons of any kind.

The following offices are the only offices permitted to possess, store and use SCW within the Chancery and Annex:

- Regional Security Office
- Marine Security Guard Detachment
- Marine Security Forces
- Embassy local guard forces

Other offices that may have a need to possess, store and use SCW may submit a request to the COM through the RSO.

To obtain authorization to carry SCW, each Agency Head or Section Chief must obtain written approval for each employee. The request must be submitted to the COM via the Regional Security Office (RSO). COM authority to carry SCW is valid for the duration of an employee's tour of duty and may be rescinded and/or amended at any time by the RSO with the concurrence of the COM. **Blanket authorization will not be issued for any office.**

Certain U.S. uniformed military units assigned in support of the COM have been granted blanket authorization to carry SCW in the performance of their official duties. However, these units

must still abide by the MFP (armed) carry policy within Mission Facilities. Annex A lists the units granted blanket authorization.

XIX. DISCIPLINARY ACTION

COM authorization to carry firearms requires the employee to exercise sound judgment and caution. Non-judicious use of firearms, to include inappropriate display or operation of a firearm, possession of a firearm while under the influence of alcohol or drugs, and similar acts of gross negligence may result in disciplinary action including the revocation of COM authority to carry firearms and/or removal from Post. Other violations of MFP may also result in disciplinary action.

XX. RULES OF ENGAGEMENT (ROE)

Permissible Uses of Deadly Force

The necessity to use deadly force arises when all other available means of preventing imminent and grave danger to the employee or other persons have failed or would be likely to fail. Thus, employing deadly force is permissible when there is no safe alternative to using such force, and without it the employee or others would face imminent and grave danger. An employee is not required to place himself or herself, another employee, or the public in unreasonable danger of death or serious physical injury before using deadly force. The employee will fire at a person only in response to an imminent threat of deadly force or serious physical injury against the employee, protectees, or other individuals.

Warning Shots and Shooting to Disable

Warning shots are not authorized. At no time will a weapon be fired into the ground or air as a warning to stop a threat. Warning shots may pose dangers to others in the vicinity of where the shot was fired.

Shooting at a vehicle is an authorized use of the appropriate level of force to mitigate a threat. In order to ensure a safe separation from motorcade and suspected or likely threat, shots may be fired into the vehicle's engine block as needed to prohibit a threat from entering into an area where the protective detail would be exposed to an attack. If at all feasible, other warnings, visible, verbal, and combination will be used before the use of these shots. If the vehicle continues to be a threat after shooting into the engine block, the next level of deadly force is authorized to mitigate the threat. Employees must use their discretion at the number of rounds fired into the engine block to stop the threat.

XXI. REVISIONS

The MFP may be revised periodically as required. The RSO will be responsible for revising and updating the MFP and will notify Mission personnel of all changes as they occur.

ANNEX A

U.S. Military Units with Blanket Carry Authority

The following United States military units assigned in support of the U.S. Mission have blanket authorization to carry firearms and Special Category Weapons within Mission facilities in the performance of their official duties. However, personnel assigned to these units must still abide by the carry policy within Mission facilities.

- Marine Security Guard Detachment
- Marine Security Forces
- 1-151 Charlie Company (Military Police for Ambassador's Detail)
- 1-76 Field Artillery (Patriots)
- U.S. military personnel/units while providing protective security

ATTACHMENT A

Carry Authority

Date:

To: Ambassador Zalmay Khalilzad

Through: Deputy Chief of Mission – David M. Satterfield
Regional Security Officer – Mark J. Hunter

From: Agency/Section Chief –

Subject: Authorization to Carry a Weapon

Ref: Mission Firearms Policy

This is to request authorization for the individual listed below to carry a firearm. The individual is in a protective security, law enforcement liaison or higher risk assignment that places him/her in a position which warrants justification to carry a weapon. The individual will only carry firearms with which he/she is qualified to in accordance with his/her agency/department regulations and standards.

NAME: ____

POSITION: ____

LAST QUAL. DATE: ____

CERTIFYING AGENCY: ____

_____
Signature of Agency/Section Chief

RSO recommendation: ☐ Approve ☐ Disapprove

DCM recommendation: ☐ Approve ☐ Disapprove

Chief of Mission Action:

Approve _____Disapprove _____ Date_____

ATTACHMENT B

Special Category Weapons Carry Authority

Date:

To: Ambassador Zalmay Khalilzad

Through: Deputy Chief of Mission – David M. Satterfield
Regional Security Officer – Mark J. Hunter

From: Agency/Section Chief –

Subject: Authorization to Carry Special Category Weapons

Ref: Mission Firearms Policy

This is to request authorization for the individual listed below to carry Special Category Weapons (SCW) as defined in the Mission Firearms Policy. The individual is in a protective security, law enforcement liaison or higher risk assignment that places him/her in a position which warrants justification to carry SCW. The individual will only carry SCW with which he/she is qualified to in accordance with his/her agency/department regulations and standards.

NAME: ____
POSITION: ____
CERTIFYING AGENCY: ____

_____
Signature of Agency/Section Chief

RSO recommendation: ☐ Approve ☐ Disapprove

DCM recommendation: ☐ Approve ☐ Disapprove

Chief of Mission Action:

Approve _____ Disapprove _____ Date_____

ATTACHMENT C

ACKNOWLEDGEMENT FORM

I understand that the Chief of Mission will not condone the use of a firearm for any reason other than self-defense – when the individual reasonably believes he/she or another person is in immediate and imminent danger of death or grievous bodily harm. The sole purpose for drawing and discharging a firearm at another person is to STOP the assailant from continuing what is believed to be a DIRECT, IMMINENT, AND LIFE-THREATENING ATTACK.

I am aware that the standards of conduct for individuals authorized to carry a firearm (concealed or not) or to use a firearm are no different than those of personnel who are unarmed. All individuals must avoid situations that place them at risk.

U.S. Law Enforcement, military, or security-related personnel may perform his/her prescribed duties, including carrying a firearm in Iraq, only to the extent permitted by local law and as authorized by the Chief of Mission.

The approval of this request is only the Chief of Mission's authorization for me to use a firearm in the country. I understand that any use of this firearm, including its discharge or public display, will be investigated by Regional Security Office personnel and may be grounds for disciplinary action. The following rules of engagement will guide any such investigation.

1. Use of this firearm is authorized only as delineated in the MFP.
2. I will only use firearm(s) with which I am qualified per my agency/department standards and regulations.
3. I will not consume alcohol or controlled substances and carry a weapon contrary to the terms set forth in the MFP.
4. I have read, understand and will abide by the standards of conduct as set forth in the most current Mission Firearms Policy.

Printed Name: _____ **Date:** _____

Signature: _____

Question. What happens when a private security contractor paid by the State Department, deployed overseas, runs over somebody with a vehicle, shoots an innocent person, or otherwise causes harm on the job or off the job? Who's responsible; are they or we?

Answer. The U.S. Government is not ordinarily responsible for the actions of security contractors. For humanitarian and foreign policy reasons, the State Department is developing a program to make payments to Iraqi civilians injured by the non-negligent or negligent actions of private security contractors operating under Embassy security contracts. Initially, this program would cover official acts, with possible later expansion to cover unofficial acts and other contractors. Tort claim payments would be available, as would so-called condolence payments not payable in tort. Embassy Baghdad will implement the program using procedures derived from Department claims procedures and compensation values derived from Iraqi legal norms and U.S. Armed Forces practice.

SUBCOMMITTEE RECESS

Senator LEAHY. Thank you all very much. The subcommittee will stand in recess to reconvene at 2:30 p.m. on Thursday, May 26, in room SD–138. At that time we will hear testimony from the Hon. Andrew S. Natsios, Administrator, United States Agency for International Development.

[Whereupon, at 3:45 p.m., Thursday, May 12, the subcommittee was recessed, to reconvene at 2:30 p.m., Thursday, May 26.]

STATE, FOREIGN OPERATIONS, AND RELATED PROGRAMS APPROPRIATIONS FOR FISCAL YEAR 2006

THURSDAY, MAY 26, 2005

U.S. SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS,
Washington, DC.

The subcommittee met at 2:40 p.m., in room SD–138, Dirksen Senate Office Building, Hon. Mitch McConnell (chairman) presiding.

Present: Senators McConnell, Bennett, DeWine, Brownback, Leahy, Harkin, and Landrieu.

UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT

STATEMENT OF HON. ANDREW S. NATSIOS, ADMINISTRATOR

OPENING STATEMENT OF SENATOR MITCH MC CONNELL

Senator MCCONNELL. The hearing will come to order.

I am going to put my opening statement in the record. I do not think all of you should be penalized for my tardiness. Also, Senator Leahy is not here yet.

[The statement follows:]

PREPARED STATEMENT OF SENATOR MITCH MCCONNELL

Welcome, Administrator Natsios. Today's hearing is on the President's fiscal year 2006 request for appropriations for the United States Agency for International Development (USAID). These programs and activities total in excess of $4 billion.

As I said during the Secretary of State's hearing earlier this month, the "soft" side of our foreign aid is a critical component in the war on terrorism. Child Survival and Health Programs and Development Assistance, if targeted effectively, can frustrate the ability of extremists to further their hateful ideology and to recruit additional foot soldiers from underserved or underrepresented populations. Moreover, this assistance clearly demonstrates the generosity and benevolence of the American people.

The ultimate success of our efforts, however, is largely determined by the political will and actions of foreign governments to address the needs of their citizens in a transparent and accountable manner. Simply put, the lack of freedom and the rule of law in developing countries blunts the effectiveness of our foreign aid. From Haiti to Cambodia, this maxim unfortunately has been proven true time and time again.

Let me take a moment to commend President Bush for his leadership, and personal commitment, to the cause of freedom. The President's support for democracy is nothing short of inspirational to the courageous individuals who struggle for liberty, human rights and justice abroad—and to those of us who have long championed their worthy causes from our shores.

The challenge for USAID—and the State Department—will be to keep pace with the President, and to this end, the Agency should consider highlighting the impor-

tance of democracy promotion by making this its own operational goal. USAID will need to conduct a stem-to-stern review of the way it supports democracy programs, with a greater emphasis on grants to proven democracy-building organizations, closer coordination with the State Department and the National Endowment for Democracy, and better appreciation for the use of technology—such as that utilized by Voice for Humanity in Iraq and Afghanistan. USAID should be less concerned with the amount it spends on democracy promotion and more focused on what it spends its funding on.

In closing, it would be useful for the Subcommittee to hear your views, Mr. Natsios, on the significant increase in the Transition Initiatives account and the inclusion of emergency food assistance in the International Disaster and Famine Assistance account in the fiscal year 2006 budget request.

Senator Leahy will make an opening statement, followed by Mr. Natsios, and then we will proceed to seven-minute rounds of questions and answers. We will keep the record open for additional questions.

Senator MCCONNELL. Administrator Natsios, what I would like to do is begin with you. Feel free to put your full statement in the record if you would like and then tell us what you have on your mind. We will then ask questions.

SUMMMARY STATEMENT OF HON. ANDREW S. NATSIOS

Mr. NATSIOS. Thank you very much, Senator. I have a longer statement for the record, and a very abbreviated statement for my public testimony.

Mr. Chairman and members of the subcommittee, it is an honor for me to be here today to discuss the President's 2006 budget for the United States Agency for International Development.

Before beginning our presentation, I want to thank the chairman, the ranking member and their staff, and the committee members for the support you have shown to us in USAID to play the critical role that we do in our national security.

We particularly appreciate your tremendous work on the supplemental budget to meet the President's request levels for Afghanistan, Sudan, and the tsunami-affected region. We are grateful that you see our work in these states as important as we do in winning the war on terror.

I will, as I said, submit my full testimony for the record which lays out the overall justification for our budget in the 2006 request.

For these few minutes, I would like to address three issues that your staff has raised with us and that we find to be essential to the work of USAID.

First is our work in democracy, second our request to shift funds from the Development Assistance account to the Transition Initiative account, and finally the partnership between the MCC and USAID.

First our work in democracy. President Bush and Secretary Rice have emphasized the centrality of democracy, freedom, and good governance both to our national security and to development in general.

Your staff has also emphasized the central role of democracy and international security. We in USAID—both our political appointees and our career officers—very, very strongly share your perspective on this important aspect of development policy.

In fact, the principal reason that development fails in developing countries is because of the failure of governance. A failure of democracy or a failure of the system to allow people to participate in

the choice of their own leaders is the principal reason why there is political instability that sometimes wrecks years of development by causing civil war or insurgencies.

Countries that are accelerating their development are those which embrace democratic governance and in good governance control corruption and through that, their country progresses.

We in USAID are dedicated to ensuring that our resources carry through the vision of the national security strategy of the President, the Secretary of State, and ultimately the American people by supporting the development of prosperous democratic partners for the United States around the world.

We have played a central role in that. There are 400 USAID officers who are democracy and governance officers, 200 of which work in the field. And our missions, we have created a strike force in the Agency, in the bureau in which the Democracy Office is located, to act in a very rapid way when we believe that democracy has a chance of moving forward.

In Iraq, USAID played a key role in supporting the Iraqi election process as well as helping to build democratic institutions in a country that was ruled with an iron fist for generations.

We helped mobilize thousands of Iraqi election staff, many hundred Iraqi civil society organizations, and we helped Iraq and international organizations to field domestic election observers, deliver voter education, implement conflict mitigation programs.

With USAID support, over 220 core election monitors were trained and with additional European union support, we trained as many as 12,000 domestic monitors.

One indicator of election success was the higher than anticipated turnout in the election, but most importantly the 275 member Iraqi National Assembly with 25 percent female representation was elected to govern the country, draft a new constitution and provide a national referendum on the constitution.

Subsequently a constitutional government was put in place. Funding for this will be put in place later this year. Funding for this total effort was $114.7 million.

In Afghanistan, we helped Afghanistan move toward the promise of democracy, stability, and peace, the staging of the Loya Jerga. There are two of them, one that elected Karzai as the interim president and then for the interim constitution, only months after the fall of the Taliban regime, owing much to the logistical support that we provided through USAID.

We provided $151.2 million including logistical support for the Afghan transitional authority to convene the delegates responsible for drafting the constitution and then, of course, as I mentioned earlier, in the October 2004 presidential elections that elected Hamid Karzai as the President.

We are also deeply involved right now in preparing for the parliamentary elections which are scheduled currently for September 2005.

Equally dramatic democratic transitions took place in 2003 in Georgia and 2004 in Ukraine. In the decade that preceded the people to power movements in these countries, we supported projects to build democratic institutions and civil society, establish the rule

of law, and create a democratic legislative base and develop an independent press.

In the Ukraine, for example, the USG provided $18.3 million to support the electoral process in the last elections. Partners provided consultations to the drafters of the new election legislation.

More than 5 million pieces of printed voter education materials were distributed to over 200 communities about the election process and public service announcements were broadcast on four TV channels and 100 radio stations about the elections.

There is a proposal in the 2006 budget to transfer about $275 million in money between the Development Assistance account and the Transition Initiative account. To meet the challenges of the post 9/11 world, we are building on our experience of democracy and governance and we are also adapting its tools to create effective programs in countries that are in transitions.

Programs in countries facing fragile conditions, whether they are economic or political, differ from traditional aid programs. These programs will have high impact, visible results, and may have a shorter time horizon than traditional programs.

For example, a cash for work program, a rapid job creation program may be more appropriate in lieu of a long-term job creation program in a fragile state to get people, particularly young men, off the streets, working right away because they otherwise can be drawn into militias that destabilize a new democracy.

Another example may be using funds to restore electricity in a city to prevent chaos. These examples may require reprogramming of funds that require a 15-day notification process under usual authorities, but do not under the Transition Initiative account. By the time notification passes, the Agency risks missing its window of opportunity in some crises.

The TI account has also been traditionally free from earmarks. The Agency understands the political process in a city into which foreign aid assistance operates and has attempted to adjust its expectations over the years accordingly. Yet, we have learned that in the case of dealing with fragile states, the flexibility to move funds quickly is imperative to helping countries move along.

We put four countries as a pilot into the TI account not for the Office of Transition. It would be the USAID missions in the field that would spend the money, but they would have more flexibility in the spending of this money. These four countries are Haiti, Sudan, Ethiopia, and Afghanistan.

They are not the four fragile states in the world. There are several dozen fragile states. In fact, the British Government aid agency estimates that—we have a common definition that are used among donor governments—there are about 50 to 60 fragile states in the world.

We are doing this on a pilot basis to see how it would function in four countries that are critically important to the United States for a variety of different reasons.

Finally, I wanted to comment on our relationship with the Millennium Challenge Corporation. I sit on the board thanks to the Congress. I do appreciate the Congress putting me on the Board of Directors. And we are working with them on a daily basis on the compact countries.

But the board voted and the Congress, I believe, put in the legislation that USAID would have authority over threshold programs, which are countries that did not quite make the cut because they failed on a couple of indicators and we wanted to accelerate their movement into MCC status.

So there is, I think, a provision in the statute that allows up to 10 percent of the appropriation each year to be used for threshold countries.

We are working with the MCC very closely on these proposals. We have a special unit in the central office that coordinates this with MCC Corporation.

Our staff has visited in partnership with the MCC all of the threshold countries. We evaluated the concept papers and we have done an initial review.

The MCC Board of Directors will approve the final budgets and they have the authority to approve the plans for each country's threshold program. The MCC then funds them and we will manage the money through the USAID mission processes in the field missions.

Almost all of the threshold countries, I think with one exception, have USAID missions in them to begin with. We do not expect that the addition of MCC funding for threshold activities will result in a loss or reduction of standard USAID funding. In most cases, threshold funded activities will be complementary to existing USAID programs.

We believe that the complementarity between USAID and threshold programs will accelerate the impact of reform and investment which will help countries improve their prospects of eventually qualifying for MCC.

The 2006 budget request for USAID supports our foreign policy goals of the U.S. Government and our national security interests.

PREPARED STATEMENT

I would like to acknowledge once again the support of this committee in helping USAID fulfill the enormous responsibilities it faces today in supporting its efforts to promote peace throughout the world by spreading democracy, economic opportunity, and prosperity.

I welcome your questions.

[The statement follows:]

PREPARED STATEMENT OF HON. ANDREW S. NATSIOS

Chairman McConnell, Members of the subcommittee, It is an honor to be here today to discuss the President's budget for the U.S. Agency for International Development for fiscal year 2006. Before beginning our presentation, I want to thank the Chairman and the other members of the committee and their staff for the support you have shown for our programs that allow USAID to play the critical role it does in our national security.

A NEW ERA OF DEVELOPMENT ASSISTANCE

The President's National Security Strategy (2002) was written at a year's distance from 9/11 and is the first comprehensive response to the events of that day. Our challenges in the new era require new ways of thinking and operating, the document asserts. To meet them, the whole spectrum of our foreign policy establishment had to be engaged and many of its programs redesigned. This included "defense", "diplomacy," and "development," the success of whose mission is now viewed as a

matter of great urgency and importance. Indeed, "development" today has received a level of commitment not seen since the Kennedy or Truman Administration.

Part of the intention of the National Security Strategy was to disabuse anyone of the opinion that "development" was something peripheral to our own nation's well being. The promotion of freedom and development around the world is, of course, an expression of the highest ideals of this country. But it is more than that. post-9/11, the success of the cause of freedom and development is absolutely vital to making this a safer and a better world. As the President stated in his Second Inaugural, the present moment sees our highest ideals and our national security concerns conjoined. The task before us is great, and we are energized both by harsh necessity and our noblest aspirations.

In that speech the President also stated, "All who live in tyranny and hopelessness can know, the United States will not ignore your oppression, or excuse your oppressors. When you stand for liberty, we will stand with you. Democratic reformers facing repression, prison, or exile can know, America sees you for who you are: the future leaders of your free country." Supporting democratic transitions, and building democracy worldwide is one of the United States' most important goals, and one which USAID has helped support.

USAID's work in the democracy field has contributed substantively to the transitions to democratic governance throughout South and Central America in the 1980s and 1990s and in Eastern Europe and the Baltic states. As an agency, USAID has played central roles to the democratic transitions as well in countries as diverse as Mongolia, Indonesia, South Africa, Georgia, and Mozambique. Wherever they are USAID democracy programs are distinctive for their analytic grounding, their comprehensiveness, their multi-year planning cycle, and their impact. USAID programs not only promote democracy, but they build democracy for the long-term.

To help meet the challenges of the post-9/11 world, USAID is building on its experience in democracy and good governance. It is adapting its tools and knowledge to forge effective assistance programs in fragile states. It is looking carefully at the "hard nuts"—the uthoritarian and semi-authoritarian states—while not forgetting that democratic governance is still at risk in many of our more stable new democracies. USAID's democracy program will be implemented by a democracy corps of over 400 who manage hundreds of millions of dollars in democracy programs around the world.

When I came back to USAID as Administrator, I was called to lead an Agency that came into being a half century earlier in a very different world. I was assuming office at a moment when the nation was trying to redefine its foreign policy in light of the realities of globalization and the end of the Cold War. The Agency was subjected to doubts about its relevancy in the new era. It was dislocated by cuts in both budget and manpower. All of this took its toll on morale within the Agency.

Early on, I called for an Agency-wide assessment to sort out our core missions and to better align them with the foreign policy needs of the new era. This exercise was undertaken to refocus the Agency, in order to better define and prioritize its tasks. The result was the Foreign Aid in the National Interest (2002) Report and the Agency's White Paper (2004), which identified five core missions of the Agency.

It has been one of my chief priorities as Administrator at USAID to strengthen the Agency's response to the key objectives the White Paper identified. These tasks have been made more urgent by the events of that day and more central to this nation's foreign policy. The fiscal year 2006 budget reflects this commitment.

In this budget we propose tying Development Assistance (DA) to countries' own development efforts that demonstrate that they are striving for the conditions that the President set forth to become eligible for assistance through the Millennium Challenge Account. A performance-based approach will be adopted to allocate a share of the DA account. This will compare need and performance across regions, based on standard criteria.

To meet the unprecedented challenges of the post-9/11 era, USAID is aggressively pursuing management reform through a number of initiatives. By strengthening our workforce, improving program accountability, and increasing the security of our operatives, we are building the foundation of sound management and organizational excellence. We are also reaching out to new, non-traditional partners, often using the Global Development Alliance model of public-private partnerships.

To make progress on these goals, USAID is requesting $4.1 billion for its fiscal year 2006 programs. Additionally, we anticipate working with the Departments of State and Agriculture on joint programs that total $5 billion in ESF, FSA, SEED, ACI and Public Law 480 accounts. We will also manage a portion of the nearly $2 billion requested for the Global HIV/AIDS Initiative by the Department of State's Global AIDS Coordinator and a portion of the $3 billion for the Millennium Challenge Corporation. USAID is requesting $802.4 million in Operating Expenses (OE),

the Capital Investment Fund, the Development Credit administrative funds and the Office of the Inspector General to fund the administrative costs of managing the $8.3 billion in program funds.

MAJOR INITIATIVES FOR FISCAL YEAR 2006

This year's request introduces two strategic reforms to increase the effectiveness of bilateral foreign aid and advance the security interests of the country. The first is a shift of $300 million from the Public Law 480, Title II food account to the International Disaster and Famine Assistance (IFDA) account for purchase of food locally. The second is a shift of $275 million from the Development Assistance account to the Transition Initiatives account. I would like to take this opportunity to explain why these reforms make better use of taxpayer dollars than our current approach.

FUNDS TRANSFER FOR LOCAL PURCHASE OF FOOD

As food emergencies have increased in complexity and magnitude, USAID needs to purchase some food locally in order to save lives. Given the widely differing conditions in the countries where we provide food aid, USAID needs more flexibility and access to cash in order to respond quickly and appropriately. When we need to save lives quickly, there is not always enough time to ship commodities from the United States. Therefore, purchasing food locally will enable us to make a significant impact when food is urgently needed. Under such conditions, food would be purchased in the country facing the emergency or in a nearby developing country. Funds for local purchases will not be used to procure commodities from developed nations.

For fiscal year 2006, $300 million that was previously requested under Public Law 480 Title II is being requested under IDFA for emergency food aid needs. Title II funds may only be used to purchase U.S. commodities, whereas IDFA funds can purchase local commodities. Food is sometimes available close to the area of need and could fill a critical gap before commodities arrive from the United States up to several months later. With potentially lower purchase and transportation costs, the United States could afford to buy more food and reach more of the vulnerable population. In some cases, carefully targeted local purchases could also help stabilize local food prices, strengthen markets and local agrarian economies, providing a double benefit: improved humanitarian assistance and greater development impact.

There are approximately 800 million people in the developing world who go to bed hungry each night. Of these, 25,000 die from hunger-related causes each day. By using $300 million in IDFA versus Title II, USAID estimates that approximately 50,000 lives could be saved in acute emergencies by supplying locally produced food more quickly and at lower delivery cost. This number is based on calculations of the potential number of beneficiaries that could be reached using $300 million in cash for local purchase vs. U.S. commodity purchase, while keeping the bulk of the Title II program intact at $885 million.

The benefits of the Administration's proposal for added flexibility in meeting emergency food needs far outweigh the potential costs, and we strongly urge congressional support. The injection of cash into a local economy can also help address malnutrition in a more sustainable way by stimulating local agricultural production and the rural economy. Local purchases could also help generate local trading and marketing links including financing riangular, regional transactions—buying in a surplus producing country to send to the food emergency in the near-by country. The ability to purchase food in local or regional markets would give us another important option for meeting critical needs.

FUNDS TRANSFER: DEVELOPMENT ASSISTANCE TO TRANSITION INITIATIVES

We have requested a shift from the Development Assistance (DA) account to the Transition Initiatives (TI) account for fiscal year 2006. The TI account differs from the DA account in the following ways, essential to providing a more rapid response to conditions on the ground: the option to use notwithstanding authority, funding that is no-year, and a shorter Congressional reporting requirement, i.e., a five day report rather than a 15 day notification. Countries that are confronting crisis or are in transition from crisis to transformational development require rapid response to their unique situation to avert further problems. We are requesting $275 million for programs in these "fragile states."

Our programs on the ground in fragile states look different than traditional aid programs. The programs focus on activities that have high-impact, visible results and may have a shorter time horizon than traditional development assistance programs. For example, we might use a cash-for-work, rapid job creation program instead of a long-term job creation program in fragile states to get people off the streets and working right away. Or we may need to invest funds immediately into

restoring electricity in a city to prevent chaos. These examples may require a reprogramming of funds that would require a 15-day notification process under DA account authorities. By the time the notification time passes, the Agency risks missing its window of opportunity to prevent the country from falling deeper into crisis.

The TI account has also been traditionally free from Congressional earmarks. I bring this up in the spirit of transparency. The Agency understands the political reality under which foreign assistance operates and has attempted to adjust its expectations over the years accordingly. In the case of dealing with fragile states, we feel that the flexibility to provide country programs as the situation on the ground requires is imperative to laying the foundation for long-term recovery and helping the country move from crisis towards economic and political stability. We have learned since 9/11 that weak states tend to be the vector for destabilizing forces that can have traumatic global ramifications. We hope that by freeing funding for fragile states from Congressional earmarks and allowing that funding to be adjusted more rapidly through changes in programs on the ground, USAID will be better able to do its part in applying its resources to the global war on terror.

Both the Public Law 480 to IDFA and DA to TI fund shifts represent a step toward the Agency's vision of more clearly aligning its operational goals, resources and results with the development context in which it operates. With the help of Congress, we aim to make better use of taxpayer dollars through innovative use of the authorities we have in our present account structures. We will evaluate the effectiveness of this approach in the coming year and look forward to sharing the results of these changes with you.

PROGRAM PRIORITIES: CORE MISSIONS OF USAID

The five core missions of the Agency as outlined in the White Paper and correlative priorities within these programming initiatives follow:

—Promote Transformational Development through far-reaching, fundamental changes conducive to democratic governance and economic growth. The Agency also seeks to build human capacity by supporting essential human services in the fields of health and education. Such endeavors are key to helping countries sustain economic and social progress without continued dependence on foreign aid.

USAID's priorities for the use of Development Assistance include promoting human rights and democracy as well as stimulating the economic growth that can move countries into the global trading system. We have allocated assistance on a priority basis to needy countries that are manifesting strong commitment to reform and making good development progress.

The fiscal year 2006 request reflects a substantial increase of support for Africa when compared to a fiscal year 2001 baseline. Particular emphasis is placed on expanding access to quality basic education, growth in agricultural productivity, and increasing trade capacity. USAID will help the countries in the U.S.-Central American Free Trade Agreement (CAFTA) with the financial and economic reforms that will allow them to take full advantage of trade liberalization. Funding for South Asia reflects the end of the relief phase for tsunami victims and the move to the recovery and reconstruction of this region. Worldwide, we will continue to work closely with the Millennium Challenge Corporation on the MCA "Threshold Program"—an MCA program currently administered by USAID that supports countries the MCC has determined to be on the threshold of MCA eligibility.

—Strengthen fragile states to improve security, enhance stability, and advance reform and to build institutional capacity and modernize infrastructure.

USAID is vigorously pursuing policies that aim at peace and stability in Africa—with a particular focus on the Sudan. We will continue the effort begun in 2004 as a Group of Eight (G8) initiative to end famine and increase agricultural productivity and rural development in Ethiopia, the most populous country in the region, and one of the most famine-prone countries in the world. In Latin America, USAID is laying the foundations for stability in Haiti through various economic, social, environmental, and political initiatives. In the Near East, USAID will continue its support of Afghanistan and its encouraging progress toward democracy and economic growth after suffering from generations of war, occupation, and political fanaticism. Some of our efforts are listed in the box below.

TEN MAJOR ACHIEVEMENTS—USAID IN AFGHANISTAN

1. Coverage of health services exceeds some 4.8 million people. In USAID-sponsored provinces, 63 percent of the population has access to health services. Over 2,000 Community Health Workers have been trained and are active in health facili-

ties. 4.26 million children have been vaccinated against preventable childhood illnesses.

2. Civic education, political party training and observer support provided in run-up to recent elections. 1.3 million Afghans were reached through voter education activities; registered 41 percent of all women; monitored over 1,673 polling centers—a third of all centers—on Election Day; supported 10,000 observers.

3. $101.7 million was collected through Customs Operations in 2004.

4. Over 320 kilometers of canals de-silted and 233 irrigation structures repaired, improving irrigation for 310,000 hectares of farmland.

5. Primary education provided to nearly 170,000 over-aged students, over half of them girls. Some 6,778 teachers have been trained to lead accelerated learning classes that allow students to complete two grades per year.

6. To date, 42 million textbooks have been provided. 27 million of the textbooks are in both Dari and Pashto. The textbooks are for Grades 1 through 12 in all secular subjects.

7. Radio-based teacher training (RTT) reaches 95 percent of the country in daily broadcasts in Dari and Pashto, reaching approximately 54,000 teachers. Of these, 9,582 teachers—35 percent women—have enrolled in the RTT course.

8. National Women's Dormitory in Kabul rehabilitated. Enables over 1,000 girls from rural areas to attend the medical school, the Afghan Education University, the Polytechnic Institute and Kabul University.

9. Thirty-two independent FM radio stations, including three Arman FM commercial stations, have been established.

10. The USAID-sponsored sections of the Kabul-Kandahar Highway are complete and operational, with 389 km of roadway paved, 7 bridges totally reconstructed and 39 bridges repaired.

—Support geo-political interests through development work in countries of high strategic importance.

USAID's implementation of Economic Support Fund (ESF) resources for U.S. foreign policy goals places special emphasis on Iraq, Afghanistan, Pakistan and Sudan, as well as other front-line states in the War on Terror in the Asia, Near East and Africa regions. The Agency's Iraq programs will be funded from ESF and other appropriations. USAID will also target resources to the Muslim World Initiative to support countries' own efforts at social transformation. Some of our achievements in Iraq are listed in the box below.

TEN MAJOR ACHIEVEMENTS—USAID IN IRAQ

1. Prevented humanitarian emergency—delivered 575,000 metric tons of wheat, reforming public distribution system.

2. Created local and city governments in more than 600 communities.

3. Restarted schools—rehabilitated 2,500 schools; provided textbooks to 8.7 million students, supplies to 3.3 million; trained 33,000 teachers.

4. Vaccinated 3 million children under 5 and over 700,000 pregnant mothers. Rehabilitated more than 60 primary health care clinics.

5. Providing safe water—expanding Baghdad water purification plant and rehabilitating 27 water and sewage plants.

6. Re-opened deep water port—dredged Umm Qasr, repaired equipment. Today it handles 140,000 tons of cargo a month.

7. Restoring electric service—repaired eight major power plants with CPA, adding 2,100 megawatts by summer 2004.

8. Helped CPA launch new currency and re-establish Central Bank.

9. Reviving the Marshlands—reflooding revives ancient way of life. Established date palm nurseries and crop demonstrations, restocking native fishes (4–5 million fingerlings) and developed strategic plan of integrated marshland management.

10. Establishing Good Governance—budgeting, accounting systems add transparency, accountability to ministries.

—Provide humanitarian relief to meet immediate human needs in countries afflicted by natural disaster, violent conflict, political crisis, or persistent dire poverty.

As demonstrated by response to the recent tsunami disaster, Americans respond to humanitarian emergencies immediately, spontaneously, and generously. We do not calculate what are deeply felt moral imperatives. These commitments are longstanding. They have not changed in the course of American history nor will they be shortchanged today. What has changed is the historic context in which we act. The Administration's innovative proposal to use a portion of food aid funds to purchase food locally, outlined previously, provides the flexibility that will help our food programs save more lives.

—Address global issues and special concerns where progress depends on collective effort and cooperation among countries. These include combating HIV/AIDS and other infectious diseases, forging international trade agreements, and combating criminal activities such as money laundering and trafficking in persons and narcotics.

The Agency will also pursue its on-going commitments such as education initiatives in Africa and Latin America, the Trade for African Development and Enterprise initiative, Global Climate Change, Illegal Logging, the Initiative to End Hunger in Africa, and Water for the Poor. These initiatives support mainstream USAID goals and work in complementary ways with its programming in states undergoing transformational development, as well as our strategies in fragile and strategic states. These are implemented in a variety of ways, including training and technical assistance, contributions to global funds, bilateral assistance, policy analysis, and direct delivery of services. The initiatives are listed in the box below.

PRESIDENTIAL INITIATIVES

African Education Initiative
Anti-Trafficking in Persons
Centers for Excellence in Teacher Trianing
Digital Freedom Initiative
Emergency Plan for AIDS Relief
Global Climate Change Initiative
Initiative Against Illegal Logging
Volunteers for Prosperity

ADMINISTRATION INITIATIVES

Broader Middle East and North Africa Initiative
Initiative to End Hunger in Africa
Middle East Partnership Initiative
Trade Capacity Building
Trade for African Development and Enterprise
Water for the Poor Initiatives

Combating HIV/AIDS.—The HIV/AIDS pandemic is more than a health emergency. It is a social and economic crisis that is threatening to erase decades of development progress. The pandemic has tended to hit in the most productive age groups and in developing counties that are least able to respond. Under the leadership of the State Department's Global AIDS Coordinator, USAID will continue working to prevent HIV transmission through a balanced "ABC" approach to behavior change that stresses Abstinence, Be faithful, and the use of Condoms. The President's Emergency Plan has recognized that to implement an effective "ABC" prevention strategy, our approach must be tailored to the culture and circumstances of the place we are working. In addition to prevention, USAID will expand access to antiretroviral treatment, reduce mother-to-child transmission, increase the number of individuals reached by community and home-based care, and providing essential services to children impacted by HIV/AIDS.

MANAGEMENT REFORMS AND INITIATIVES

To meet the complex development challenges in the age of terrorism, USAID needs modern business systems; organizational discipline; and the right number of qualified, well-trained people to manage its programs. It must also draw upon the talents of a whole range of partners, both traditional and non-traditional.

USAID's fiscal year 2006 management priorities are to strengthen and right-size the workforce, improve program accountability, and increase security.

Staffing.—USAID's capabilities have been weakened by a direct-hire workforce that was drastically downsized during the 1990s and a large workforce contingent reaching retirement age. The Agency needs to increase flexibility and develop a surge capacity to respond to critical new demands if existent programs elsewhere are not to be adversely affected. To address the critical human resources needs, USAID has made the Development Readiness Initiative (DRI), which builds on the State Department's Diplomatic Readiness Initiative, a piority. This is the third year of DRI implementation, the goal of which is to strengthen the USAID workforce and rebuild the Agency's diplomatic, managerial, and development efforts. The fiscal year 2006 funding request will help USAID meet OPM's mandate to get the "right people in the right jobs with the right skills at the right time" by increasing its direct-hire workforce.

In addition to increasing overall numbers, DRI will strengthen the Agency's capacity to respond to crises and emerging priorities, cover staffing gaps, fill critical

vacancies, and provide appropriate training. DRI will maintain the Agency's quality and flexibility of human resources and ensure that staff maximizes the professional skills needed to grow with job requirements. Our commitment to DRI will make the Agency more agile and better able to respond to changing foreign policy concerns.

To supplement the Agency's DRI, the fiscal year 2005 Foreign Operations legislation provided USAID with a Non-Career Foreign Service Officer hiring authority. This authority allows USAID to use program funds to hire up to 175 individuals, with a requirement to proportionately decrease non-USDH staff. With this authority, the Agency will increase its USDH workforce by up to 350 by fiscal year 2006 while realizing savings to its program accounts as a result of a decrease in the overhead costs it pays contractors and USG agencies for the services of USAID non-direct hire employees.

USAID is currently undertaking a detailed workforce analysis that will identify the critical skill gaps that the Agency must address. USAID will use both the DRI and the Non-Career Foreign Service Officer authority to address these critical gaps, and to begin to homogenize its workforce by reducing the large number of less efficient and effective hiring mechanisms it currently uses.

DCHA Bureau Restructuring.—To better integrate work on crisis, transition, and recovery, the Bureau for Democracy, Conflict and Humanitarian Assistance (DCHA) is undergoing reorganization and restructuring. The DCHA bureau will represent the Agency and assume responsibility for interfacing with other USG and Agencies—particularly the Departments of State and Defense. It will represent the Agency in its dealings with the new State Department Coordinator for Reconstruction and Stabilization (S/CRS), which will lead the USG response to national security emergencies and crises and will work closely with relevant USAID bureaus to more effectively lead the Agency's response to such events. USAID is also taking steps to develop a more robust crisis response capability. This includes recruiting, training and deploying a new cadre of Crisis, Stabilization and Governance Officers.

Partnerships.—USAID is actively engaged in identifying and forging agreements with non-traditional partners, including faith-based organizations. We are proud of our initiatives in this regard.

The Global Development Alliance (GDA) is the centerpiece of our public-private alliances which brings significant new resources, ideas, technologies, and partners together to address development problems in the countries where we are represented. Through fiscal year 2004, USAID funded over 290 public-private alliances that used $1 billion in USAID resources to leverage over $3 billion in alliance partner contributions.

A new obligating instrument—the collaborative agreement—was created by USAID and became operational in fiscal year 2005. This provides an alternative to traditional grants and contracts for our non-traditional partners. In support of the U.S. global health and prosperity agenda, USAID has recruited highly skilled American professionals to international voluntary service from nearly 200 U.S. non-profit organizations and companies. Three-quarters of these entities are new to USAID. Of these, 30 are counted among the GDA figures noted above. About 20 of the entities are faith-based organizations.

Branding.—The USAID "branding" campaign is designed to ensure that the American people are recognized for the billions of dollars spent on foreign assistance. A new standard "identity" clearly communicates that our aid is from the American people, which will be translated in each country into local languages. The "brand" will be used consistently on everything from publications to project plaques, food bags to folders, business cards to banners.

Business Transformation.—To address significant management challenges and improve our accountability to the American taxpayers, the Agency will continue to modernize its business systems and support joint State-USAID goals for information technology management. Joint procurement and financial management systems will serve both organizations' needs and improve program accountability as will our efforts to better integrate budgeting and performance information.

TEN MAJOR ACHIEVEMENTS—BUSINESS TRANSFORMATION FISCAL YEAR 2001–2004

1. Received two consecutive annual clean audit opinions on Agency financial statements that demonstrate transparent and accountable financial practices.

2. Implemented an annual Agency-wide survey to assess quality of management services and identify opportunities for improvement, achieving over 25 percent increase in employee satisfaction over fours years.

3. Launched comprehensive Human Capital Strategy and Development Readiness Initiative to identify and close critical skill gaps, revitalize the workforce and enhance Agency performance.

4. Deploying a new financial management system and new procurement software overseas to enhance decision-making and enable fast and accountable transactions.

5. Allocated additional funds to countries with the most need and the highest commitment through strategic budgeting. Re-allocated $30 million to higher performing, higher need programs after an internal country and program performance assessment.

6. Enhancing knowledge management systems and methods to capture and share development expertise and new ideas. There are 130,000 documents in our institutional memory bank.

7. Expanded USAID employee training tools enabling Agency employees to complete nearly 2,000 Web-based courses to enhance job performance. Trained nearly 1,000 employees on Executive and Senior Leadership to enhance career development opportunities.

8. Better aligning staff with foreign policy priorities and program spending levels.

9. Reduced the average hiring cycle time from closure of job announcement to job offer below the OPM standard of 45 days. In addition, the process is more predictable and systematic.

10. Published a regulation to allow faith-based organizations to compete on an equal footing with other organizations for USAID funds.

Security.—USAID continues its commitment to protect USAID employees and facilities against global terrorism and the national security information we process against espionage. The Agency will increase physical security measures, such as building upgrades, emergency communications systems, and armored vehicles. Personnel security, such as background investigations and security clearances, will be upgraded as will information security.

CONCLUSION

The fiscal year 2006 budget request for the new USAID supports U.S. foreign policy goals and national security interests. The request responds to the President's priorities, including support for the Global War on Terrorism, and helping Iraq, Afghanistan and Sudan toward stability and security. It sets priorities that use aid effectively to promote real transformation in developing countries committed to reform. It also helps states that are more vulnerable or crisis-prone to advance stability, security and reform as well as develop essential institutions and infrastructure. The assistance supports individual foreign policy objectives in geo-strategically important states, continues USAID's global reach to offer humanitarian and disaster relief to those in need, and addresses the intrenched poverty and the global ills and scourges that afflict humanity.

I would like to acknowledge the support of this Committee in helping USAID fulfill the enormous responsibilities it faces today and supporting its efforts to promote peace throughout the world by spreading democracy, opportunity, and prosperity.

Senator MCCONNELL. Thank you, Mr. Natsios.

The way we will proceed is that I will ask questions first, followed by Senator Leahy and then in order of arrival: Senator DeWine, Senator Landrieu, Senator Harkin, and then Senator Brownback.

With Mahmoud Abbas in town—some of us met with him yesterday and I know he was with the President today—I thought we would start off with a few questions regarding West Bank and Gaza.

I notice that the administration has announced it would provide $50 million directly to the Palestinian authority. I, by the way, support that decision.

How do you anticipate those funds will be used?

Mr. NATSIOS. Senator, I have not been briefed on the President's meeting yet. I understand the President has made a press statement and I understand there is talk of a $50 million program for housing.

But we have not gotten formal communications because the meeting literally took place 1 hour or 2 ago and I am waiting formal communications.

The President has the authority under statute, as you know, to waive the prohibition of money going through the Palestinian Authority. We follow his lead and the Secretary of State's lead. Whatever they tell us to do, we will do.

This is probably the most closely managed because it is one of the most sensitive programs in the world politically in the United States and in Israel and the PA, it is a very sensitive program. And we are very much aware of the concern of the Congress in terms of who our partner organizations are and how we manage that.

We have a review process where the entire country team of the U.S. Embassy reviews what our plans are, how we spend our money in a way that is not done in most embassies because of the sensitivity. We are aware of the statutes that have been passed and the laws as to who we can deal with, who we cannot deal with. We are complying with those laws.

We have one very important factor which I would like to assure you is very important to compliance and that is the Inspector General has an office in the mission. Usually they have regional offices. But they actually have an office in the mission and they do concurrent audits.

Concurrent audits means when you are spending the money, they get audited, not after it is all spent.

I have a meeting once a week privately with the IG, who is a separate line of information about what is happening. And if he knows something is going wrong, he tells me privately and I can fix it if the information system within the agency does not inform me. So we have an extra check on what is happening.

Senator MCCONNELL. Given travel restrictions to Gaza, how do your people operate in that area?

Mr. NATSIOS. We meet on a regular basis with our partner organizations in the embassy, but now it is much more restricted than we would find in other places. But that allows us to go through the vouchers of the organizations and meet with them regularly in Tel Aviv to see what they are doing. We do make trips to the field, but, again, not as many or not as much as many of us would like given the security conditions that we face.

We hope as the situation stabilizes, and things are calmer certainly than they were 2 years ago or 1 year ago, it will increase the chances that our staff can get out because we are under the direction of the diplomatic security, as you may know. We do not have our own security apparatus to tell us when to travel. We follow the State Department's instructions.

Senator MCCONNELL. Certainly given the outcome of the local elections, it is not in dispute that Hamas has a lot of influence in that area.

What safeguards do you have to ensure that the NGOs who are operating are not either directly or indirectly supporting Hamas activities?

Mr. NATSIOS. First, it is clear that we cannot give any money to Hamas or Hamas organizations and the statute is clear on that. We do comply with that.

What we do before we develop a partnership with an organization, whether it be a traditional AID partner or an international NGO, an international agency or a new partner, a local NGO, for

example, a women's group, something like that, we do a thorough vetting not just of the organization but also of the people who work for the organization. And that gives us some protection in terms of who we are dealing with. So there is a vetting process that we go through on an individual basis.

Senator MCCONNELL. I want to shift to Iraq for the balance of my round. How would you describe the pace of progress on reconstruction in Iraq?

I would like for you, in answering the question, to cover how much of an issue in getting the work done is the security problem in the Sunni triangle.

Mr. NATSIOS. Certainly the security situation, Mr. Chairman, is difficult in the central part of Iraq. But in the Shia south and in the Kurdish north, I have traveled myself. I think it was in December I was in Iraq. And I traveled without the kinds of protections I had to have when I was in Baghdad, in the greater Baghdad area.

So there are large parts of the country that are relatively free of violence where we are able to do our work without incident.

Senator MCCONNELL. Therefore, are you concentrating in those areas?

Mr. NATSIOS. No. We actually have very extensive programs in the Sunni areas, but there are security restrictions.

There are probably 90,000 Iraqis now working on USAID grants or contracts. And they do not wear uniforms saying "I work under an AID contract." No one knows in many cases that it is a contractor and an NGO working with us. It is done very low key.

In fact, many of the organizations, particularly the NGOs, have had no deaths at all and have had no disruption of their operations in Iraq because they work at the community level very quietly and they get the support of the community and the local sheikhs to get their work done without any interference in a nonpolitical fashion.

Have there been incidents? Yes, there have. Certainly. We have had the deaths of some local staff. We had a tragic incident a few weeks ago where a young woman who was an FSN—I think she is the only Foreign Service National who actually worked on the USAID staff in Baghdad—was killed. She was killed in her back yard by random fire and it was not direct fire. They tend to fire weapons in celebration sometimes in Baghdad and the bullet went up and it came down and it punctured her skull and she died from that. She was not being targeted. It was even random fire.

From what the doctors tell us, the bullet literally came directly from the sky down. And in an urban area, you do not fire weapons like that, but that unfortunately has been going on in Baghdad for a long time.

So we have had casualties, Senator, but we are getting our work done. I am very proud of the USAID work in agriculture, in education, in health, in micro finance, in the restoration of the marshes.

One of the programs that is closest to my heart is the restoration of the marshes because next to the Kurds, the strongest pro American group of all of the Iraqis are the Marsh Arabs because they were most destroyed by Suddam, by the atrocities committed. And

we have done enormous work on a small budget in the marshes to restore the people's livelihoods there.

Senator MCCONNELL. I will turn to Senator Leahy.

STATEMENT OF SENATOR PATRICK J. LEAHY

Senator LEAHY. Thank you, Mr. Chairman. I will put my full statement in the record.

[The statement follows:]

PREPARED STATEMENT OF SENATOR PATRICK J. LEAHY

Mr. Natsios, thank you for being here. I think we all appreciate what USAID is doing to respond to critical needs around the world. On top of everything else, you are coping with AIDS, the tsunami, Darfur, Afghanistan and Iraq. Any one of these challenges is daunting by itself.

I also want to take a moment to respond to some of your remarks before the House Foreign Operations Subcommittee earlier this year.

One of the things you said was that legislative restrictions often prevent USAID from doing its job. I agree that Congress needs to amend or repeal confusing and unnecessary provisions in the Foreign Assistance Act.

But I disagree with the implication that if Congress would just get out of the way, USAID could do its job better.

Over the past four years while OMB has cut your budget, this Subcommittee has consistently come to the rescue and added hundreds of millions of dollars to core USAID programs.

There have also been many times when USAID has asked this Subcommittee to approve legislative authorities that were not cleared by OMB and in some cases actively opposed by the State Department. Had we not done so, authorities that USAID needed would have been bottled up by OMB and never seen the light of day.

Despite your comments about the legislative restrictions that hinder USAID's work, the Administration has not submitted a proposal to rewrite the Foreign Assistance Act. Each year, the Administration's budget proposes only to remove almost every legislative provision in the Foreign Operations Act, which is not a serious proposal.

Another issue is the red herring of "flexibility". The Administration's recent track record with increased flexibility has not been encouraging. Iraq is the obvious example where we are dealing with all sorts of waste, fraud and abuse.

Many restrictions are on the books because of lessons learned the hard way. One section of the Foreign Operations Act exists because Congress discovered that IMET funds were used to take foreign military officers to Disneyworld.

During my tenure as Chairman or Ranking Member of this Subcommittee, Congress has had to take the initiative when the Administration did not.

It was Chairman McConnell who had to earmark democracy money in the Iraq Supplemental, after the Administration failed to include any money to pay for elections or build democracy in Iraq.

Not very long ago, USAID's budget to combat tuberculosis worldwide was $4 million, which USAID at the time insisted was a "serious strategy." We didn't see it that way, and we dramatically increased funding.

Earmarks are a sore subject. We know you don't like them. But the fact is we are judicious about which earmarks to include. They are there because they have strong Congressional support, and usually because the Administration has failed, for no convincing reason, to do what we asked.

Mr. Natsios, I hope you know that members of this Subcommittee believe in USAID's mission and its people, and we want to work with you. But the Congress has a strong interest in how taxpayer funds are spent, and that is going to continue.

Thank you.

Senator LEAHY. But, Mr. Natsios, I hope you take time to read it. I express some concern—and I share your admiration for so many of your people working in the field—but I express concern about some comments you made at the other body in testifying basically sort of the idea it gives the impression that Congress meddles, gets involved too much, earmarks, so on. I will let you read it and you can let me know what you think.

But to point out that over the past 4 years where your administration has cut your budget, this subcommittee, for example, has consistently come to the rescue and added hundreds of millions of dollars to it. Chairman McConnell had to earmark democracy money in Iraq supplemental after the administration failed to put any in.

I know sometimes you do not like some of these earmarks and oftentimes they are ignored anyway, but sometimes it is the only way to get to the money that has been cut out. In some ways, it would be an awfully lot easier for us simply to give you the budget that has been requested and ignore the back-door requests that we get from your Agency and others saying, please, please, please put this money back in that has been cut.

So if it is bothering you that we put it back in and add a few earmarks, instead it would be a heck of a lot easier to just simply say, okay, we will give you the money that has been requested and you are going to get a lot less money.

I do want to ask one question. I will submit the rest for the record, although in some ways, I hate to do that because they rarely get answered.

They direct us, but—last year in the statement of managers, they point out operation of the "Appropriations Act." Congress cited the important work done by the Global Health Council.

We urge USAID to support the council's work, but it appears you not only have not done that, but you abandoned 32 years of support for this organization. When an official of the U.N. population is going to speak at a panel at the Global Health Council's annual conference, just being they are doing that, you withdrew support for the conference even though this official is not receiving any reimbursement for her participation.

Next week, the Global Health Council is hosting here in Washington its annual conference, 2,000 participants, the largest gathering of global health program implementers in the world, those who have to implement a lot of the programs that you and I both support. The topic of this year's conference is Health Systems.

Obviously an important issue for a development Agency like USAID, which has a large portion of its budget committed to health. The head of the World Health Organization is chairing the conference. But I am told USAID does not even plan to participate.

Are things so busy down at the office that nobody can even bother to participate?

Mr. NATSIOS. Senator——

Senator LEAHY. Just curious.

Mr. NATSIOS [continuing]. There are many traditional partners, 1,600 of them, that USAID has done business with over the years. I come from the community, as you know.

Senator LEAHY. I know. I am also saying this is one where you totally ignored what was in the manager's package written by both republicans and democrats, House and Senate, regarding the Global Health Council.

Mr. NATSIOS. Well, Senator, what we have tried to do is to move more toward nontraditional partners in a lot of work we do because there is a sense out there that USAID has a fixed number of part-

ners. And if you are a traditional partner, you get the money. And if you are not, you do not.

I have told the career staff repeatedly, and I think they are listening now, that we need to move beyond the notion that there are entitlements in the USAID budget for any NGO, any contractor, any agency first.

Second, that we need to look toward institutions, community-based institutions in the countries that we work in, more indigenous institutions.

Senator LEAHY. Mr. Natsios, I understand all that.

Mr. NATSIOS. And, third, that we do more competitive bidding.

Senator LEAHY. But you have ignored—I mean, you do not even have anybody show up. When they had their annual conference last year, you had one Congressman. It was critical that somebody from UNPA was going to be there and you guys ran like scared rabbits.

Now, I have put in time and time again. I have worked, cast chips in both sides of the aisle to get money for USAID, money that your own agency has told me you needed even though your administration said you did not. And, yet, when something like this comes in, it kind of makes one wonder.

Mr. NATSIOS. Senator, I think USAID funds too many conferences around the world. I have instructed our staff to spend less money on conferences, more delivery of services, more training of staff, more scholarships, and more community-based programming.

I think our staff spends too much time in every sector with partners that are friends of mine going to conferences. So I put a stop to it.

Our delegations have been too large. We put new regulations in place to slow that all down because I think we are spending too much money on that.

Senator LEAHY. Mr. Natsios, we are not asking you to fund any conference. The statement of managers does not do that. We just wondered if somebody could kind of walk across the street and even show up at the Global Health Council that has got 2,000 participants who are talking about global health programs or if they want to take a cab the two blocks, I will be glad to pay for it out of my own pocket.

You have money for other things. You are about to give a $75 million contract in Indonesia for a contractor who apparently has no expertise in that kind of work in that part of the world. You have got $75 million for that.

You have really limited amounts of money that you are requesting for infectious diseases and, yet, we have a conference where people might actually be talking about that.

I say this as somebody who has worked harder to support your budget than certainly anybody on my side of the aisle. I just wanted you to know I was disappointed.

Senator MCCONNELL. Thank you, Senator Leahy.

Senator DeWine.

STATEMENT OF SENATOR MIKE DE WINE

Senator DEWINE. Thank you, Mr. Chairman.

Mr. Natsios, thank you very much for being with us. Good to see you again.

Mr. NATSIOS. Nice to see you, Senator.

Senator DEWINE. I would like to talk about something you and I talked about quite a bit and I know that many of the members of the committee are interested in.

That is the whole issue of preventable childhood deaths in the world. We know there are millions of them, estimated 11 million preventable childhood deaths every year.

I want to talk a little bit about philosophy. If you could take a couple minutes to talk about that and tell me how you approach this. It seems to me that we kind of have two maybe conflicting philosophies. One is looking at this from a development point of view and the other is from a more triage point of view. Go in, save as many lives as you can, as quickly as you can, vaccinations, whatever it takes to get it done.

How do you balance those two and what is the proper philosophy?

Mr. NATSIOS. Well, there has been a focus for the last decade in USAID which we are now going to begin changing with your help and cooperation. We have been focusing on the delivery of service, which is appropriate. Vaccinating children is very important.

But the question is for me why is not the Ministry of Health capacitated to do this, because that is what ministries of health are supposed to do in the countries that we are working in.

Senator DEWINE. But you have to assume there is a Ministry of Health.

Mr. NATSIOS. Well, there is, but some of them are completely dysfunctional.

Senator DEWINE. Dysfunctional?

Mr. NATSIOS. Yes. They do not do any work or they do not have the capacity to manage these efforts. And the vaccination rates in Africa have actually been dropping even though we put a huge amount of money. We give $125 million that the Congress appropriates to UNICEF every year for vaccination programs and, yet, the vaccination rates are declining.

So the problem is there are not enough trained health workers who are local nationals and when they are trained, they sometimes leave the country to go work in Europe or the United States or a wealthier country, in the Gulf states, for example.

So working with the ministries to capacitate the ministries to train people in those ministries is very important.

We used to provide 20,000 scholarships a year to students, many of whom came from the ministries, the Ministry of Agriculture, the Ministry of Health, the Ministry of Water. And they go to American universities, get their Master's Degrees or their undergrad, and then they go back to the ministries and work. We stopped doing that. We only do 900 now a year.

Our career staff tell me one of the most important things we did that we do not do now are the scholarship programs, because they do not just go back with a technical skill. They go back with an understanding of American culture, the American institutions, and why they work as well as they do.

You will find, for example, if you look at the current Indonesian cabinet, 30 to 40 percent of the cabinet ministers received their de-

grees with USAID scholarships 25 years ago. We are not doing that anymore. I think that is a big mistake.

So I told our staff I know there has been a bias against long-term training, but we need to go back to this and we need to look at making sure they have a job because the reason they stay here or they do not go back home is because there is no job for them once they get their degree.

We have done some studies in pilots that if they are ensured of a job back home, a good job, they will go home and work in their countries.

So building capacity is going to be a greater focus of what we have done in the past because we cannot keep doing this every year without having the countries take control of their own destiny.

So there is going to be more of a focus on local capacity building at the health clinic level, private hospitals, private clinics, not necessarily just through the Ministry of Health but indigenous, indigenously based.

Senator DEWINE. I want to continue to explore this with you sometime when we have more time. And I do not disagree with that. It makes a lot of sense. But it is like anything else. It is like when we tell the FBI to worry about terrorism, they are not worrying about something else.

We have to be honest with ourselves and say if you are doing that and you are building long-term capacity, what are you not doing? And, you know, I think you need to come forward to this committee and say we are building long-term capacity and this is what we are doing and it is great. And we think we should be doing that, but here is a hole. Seems to me there has to be a hole you are leaving. Do you agree with that?

Mr. NATSIOS. I do agree with that.

Senator DEWINE. You need to be telling this Congress there is a hole.

Mr. NATSIOS. Right.

Senator DEWINE. You are not doing this immunization or you are not doing vaccination, whatever is the hole that we are not doing because, you know, these are decisions that we have to be a part of too.

So let me ask you another question. Let me move to this hemisphere. About half the people in our hemisphere live on less than a dollar a day. We know all the problems of the movement in this hemisphere now, kind of retrenching back away from democracy at least as far as popular opinion.

When we look at our commitment to this hemisphere, my statistics, what I see shows 20 percent of our development assistance money, only 20 percent goes to this hemisphere, 12 percent of our child survival and 4 percent of our economic support fund spending goes to countries in this entire region.

Is that the appropriate macro picture? Is that really appropriate for the hemisphere that we live in?

Mr. NATSIOS. A large chunk of money, Senator is given to us to do alternate development programs in the Andean Initiative of the President to deal with the narcotics problem.

Now, these are developmentally sound programs. I am very proud of many of them, in Bolivia, in Peru, in Ecuador, and in Co-

lombia. However, they are tied to a larger national crisis that we face with the narcotics trade which is undermining democracy in Latin America and those countries too.

Senator DEWINE. Why should that drain from these percentages?

Mr. NATSIOS. Well, there is only a fixed amount of money and the administration and the Congress has determined that that is the first priority.

We have an active development program in Central America which we put a lot of money. We have a very successful rural agricultural program, for example, in Honduras. We have trade capacity building that has——

Senator DEWINE. Excuse me. What we are saying, though, is again trying to talk about the policy. What we are saying is because we are dealing with, what I think is very important, a problem in Colombia, a problem in the Andean countries having to do with drugs, that means that because we are doing that, we cannot deal with child survival problems in this hemisphere. I am not sure I follow the logic of the policy and I am not saying it is your policy.

Mr. NATSIOS. Sure.

Senator DEWINE. I am saying what is the logic behind that policy decision? We put all our eggs in one basket in this hemisphere and we do not put money into child survival. We do not put it into economic support funding. We do not put it into developmental systems spending.

It seems to me it is not really—if you really look at what we are doing in this hemisphere, it is not a balanced approach.

Mr. NATSIOS. In terms of the humanitarian for the child survival programs, the health programs, they are targeted based on the levels of child mortality, female mortality, mothers' mortality in having children.

The rates have come down actually in Latin America. They are significantly below what they are in Africa, for example. And so we focus our attention in terms of our health programming in the areas of greatest need.

There is one country in Latin America, as you may know, that is in the President's emergency HIV/AIDS program and that is Haiti. Haiti has child malnutrition rates and child death rates which are comparable to the poorest areas of the world.

But it is fair to say that in other countries in Latin America that is not the case. In fact, we have had a number of countries like Chile graduate from our programs.

Senator DEWINE. Well, my time is up, Mr. Chairman.

I would just say that if you look at some of the other accounts as far as developmental accounts, I do not think—I just think it is a fair statement that we as a country—and I am not blaming you for it—but as a country, when we look at Latin America, we look at this hemisphere, do not have a balanced approach to this hemisphere.

I support what we are doing in Colombia and I support what we are doing in the war on terrorism and the war on drugs. I just do not think we have a balanced approach to this hemisphere.

Thank you, Mr. Chairman.

Senator MCCONNELL. Thank you, Senator DeWine.

STATEMENT OF SENATOR MARY L. LANDRIEU

Senator LANDRIEU. Thank you. I am going to submit my statement for the record and just address three questions to three different points.

[The statement follows:]

PREPARED STATEMENT OF SENATOR MARY L. LANDRIEU

Mr. Chairman: Thank you for calling this hearing so that we may listen to the testimony of Administrator Andrew Natsios of the United States Agency for International Development (USAID).

Humanitarian assistance is a crucial part of the foreign affairs budget of the United States.

For more than 40 years, USAID has administered the bulk of U.S. bilateral economic aid to the developing nations of the world (USAID provided some form of assistance to about 150 countries in 2005). And while USAID's programs remain a crucial part of our foreign policy, its role has changed, understandably, fit the needs of the present.

Since being elected to the United States Senate I have had the privilege of visiting countries where USAID is responsible for many of the programs which assist those in great need.

I have seen first hand the impact these programs, if well done, can have on the lives of people.

I have visited Sri Lanka which was devastated beyond words by the Tsunami and where USAID was able to respond quickly and was able to provide life-saving relief to so many who would have otherwise perished. I visited Uganda where there are a staggering number of orphans due to the epidemic of HIV/AIDS and where USAID has had a significant presence since the revival of its relationship with Uganda in 1980. I have also spent significant time in Romania, El Salvador, Honduras, Russia, and China working to find homes for children who begged for the love of family.

While it is essential that we all forge ahead with efforts to strengthen the roots of democracy and foster the economic security for people around the globe where possible, we must remember the roots of democracy are best founded on strong families and vibrant communities.

I would suggest that this is one area in which USAID needs to do better. By your own account, there will be 40 million children without families by the year 2010, over 60 percent of those because of the AIDS epidemic in Africa. Despite this, I am concerned the Vulnerable Children program, which provides the necessary care, support, and protection for these precious children, has been slashed by 63 percent. You state that one of the agency's priorities is international crisis, but how high does this need to go?

Another area, the empowerment of women should also be a primary objective due to the dramatic effect that it has on a society. Assisting women by encouraging equal partnership through not only funds but in skills and talents will benefit the spectrum of society.

USAID has been entrusted with significant resources to assist in the rebuilding of Afghanistan and Iraq. While these are, and should be, very important in USAID's mission, it is also important that we not lose sight of other "fragile states" around the world that are desperate for our helping hand.

This week the European Union (EU) announced that it is doubling its aid to developing countries in the next five years. The United States still lags far behind other countries when calculated as a percent of Gross Domestic Income (GDI). Norway significantly outpaces the United States when using these calculations and ranks first while the United States shows up in 22nd place.

While our policies continue to evolve in response to crises, we should not ever waiver from our duty to not only our own citizens, but those citizens of the world. Indeed, the instability of the world requires that we protect others so that ourown citizens maintain the freedoms and quality of life we cherish.

I appreciate you taking the time today to share your thoughts with the members of the Subcommittee on State, Foreign Operations, and related programs.

Senator LANDRIEU. But first of all, Mr. Director, let me associate myself with Senator Leahy's remarks and also Senator DeWine's remarks.

You have got some champions on this committee for USAID and we want to be supportive and want to help find additional funding, you know, where we can. This administration has continued to cut USAID funding by raising the Millennium Challenge account and some of us feel like there should be an increase in other categories as well.

I am pleased to see some of the progress we are making in the Millennium Challenge account and the way that it is established. I actually think it has a lot of merit. The concepts are very good. And as you said, there are two countries that have received full funding, some more on the list to receive it, and that process is ongoing.

But for USAID, we have seen a 59 percent decrease in global fund for AIDS, TB, and malaria, a 28 percent decrease for infectious diseases, a 62 percent decrease in the category for vulnerable children. And I could go on and on and on.

So we want to try to be supportive because I believe that this is part of our diplomacy and our strategy to have us be a reliable partner to help other countries stand up not only their democratic institutions but their education systems, their health care systems, et cetera.

My question and really more of a comment, I have spent not as much time as some of these other members in other countries, but over the last few years, I have been in and out of probably ten. I always visit with the USAID directors there.

What occurs to me is that we have in the past and continued to act as sort of a super contractor as opposed to a strategic leverager. I like to think about the parable of the loves and the fishes when, you know, Jesus was challenged with having to feed a multitude and he only had just a little bit. I know it was a miracle and we cannot hope for those exact same miracles maybe today, but he kind of took just a little bit and make it really, really work.

I kind of see that as USAID's strategic key role. You do not have a lot of money. But it seems to me that if you used it as a leverager, getting everybody to work together, I mean, all the NGOs working together instead of competing for grants, working together, and then look up and see the private donors, churches, faith-based organizations, corporations that need leadership and guidance, they have money, but they do not have access and they do not have power. But they have money. You have the power and the access.

I just do not understand why we cannot put this together and have USAID's role change to be not a super contractor where you line everybody up and say, okay, compete. They will all put in proposals. We only have enough money to fund one, but you all spend 6 months coming up with a hundred proposals. It is a waste of everybody's time.

So I just throw that out. It is not a question. But to think about a new way of approaching this that takes into account money does not grow on trees and we cannot create miracles, but we can work harder to spread our money.

Number two, orphans in the world are growing exponentially. Your own documents say that 60 percent of an increase is going to be basically because the parents are dying of AIDS. And unlike

other diseases that might take the life of one parent, this disease expressly takes the life of both because of its nature.

So you are creating double orphans which is the way the international community, not single but double orphans. We have 40 million plus in the country.

I want to know on the record—and I was pleased to see from your web site this comment that you and USAID and this administration believe that children belong in families not orphanages.

So could you comment about what USAID is doing to recognize this extraordinary and historic—never before has the world seen so many orphans. Never. Not in World War II, not any time. Not in the Plague. Never have we seen this many orphans.

What are we doing as a Nation that values children and families to help stand this situation up?

Mr. NATSIOS. Thank you, Senator. I know you have been a longtime supporter of USAID and you always when you travel, you visit our projects which we really do appreciate.

You spent some time describing this leveraging function and what you basically described is the Global Development Alliance which we initiated four years ago. We had about 12 alliances when I arrived 4 years ago. I started May 1, 2001, so I have just passed my fourth birthday or anniversary with USAID.

They were all successful and they leveraged a lot of money privately. In 1970, 70 percent of the money that flowed to the developing world came from USAID and 30 percent was what we would call private foreign aid from NGOs, corporations, charities, foundations, that sort of thing.

Two years ago, the complete reverse had taken place. Eighty-five percent of the money that goes to the developing world from the United States is now private foreign aid and 15 percent is from our Government institutions, all Government institutions in the U.S. Government that goes into the developing world.

So we realize that there has been a profound shift in funding. This is not because our budget was cut over 35 years. In fact, when I arrived as an administrator in calendar 2000, the year before I arrived, ODA, Official Development Assistance, which is all our foreign aid, was $10 billion. Last year, it was $19 billion.

The President has increased foreign assistance from the U.S. Government, from all Federal agencies by 90 percent. We expect it to go up to as much as $24 billion this year, although we will not know until spending is finished.

This is not appropriated money or proposed budgets. It is actual spending. So there is actually going to be a big increase because of the increases for the President's AIDS initiative and the Millennium Challenge account which will begin to show up later this year and next year.

So we will see larger increases in the next few years in foreign aid.

Senator LANDRIEU. But orphans real quick as well.

Mr. NATSIOS. Right. Let me just mention the GDA. We now have 286 alliances with corporations, nontraditional donors, people that we do not do business with normally, foundations, universities, church groups, religious institutions. And we put in $1.1 billion

into these alliances and the private sectors put $3.7 billion in, $3.7 billion.

We are one of the 18 finalists out of 1,000 applicants to the Kennedy School of Government Innovations and Government Award, with this GDA process.

So we are leveraging money on a huge basis, a four to one basis, 286 of these—I can give you a list of these and you can see they are all over the world and they are quite innovative. There are new partners that we have not done business with before.

In terms of orphans, it is one of the most serious crises. We are not going to see the real crisis until they become teenagers or in their twenties because if you have a country that is unstable and you have a very large number of particularly young men but also young women who have no parents, who are on the streets, you will begin to see gangs form and that will cause instability and crime in the cities will be massive.

So we think there is a crisis facing us in another generation that we will see from this AIDS pandemic. There are millions of AIDS orphans in Africa now.

Under the President's AIDS Initiative, there is a portion of the account that is for the care of children, of people who have been affected by this, but particularly for orphans.

Our approach is the approach you have mentioned. The adoption of children into families is a much better approach than institutional care because you will get care for a lot more children if you do it that way. And there is a tribal custom, particularly in sub Saharan Africa, that is stronger than anywhere else in the world. Children are regarded as valuable in Africa.

There is great desire in the tribes to go through a traditional process of adopting a child who has been orphaned. The problem is there is so many of them now that the system is getting overwhelmed and there are not simply enough families.

But this is a serious problem and we are doing a lot of pilots now with community-based programs to try to integrate these children into families on an organized basis and a large scale because the scale is massive.

Senator LANDRIEU. My time is up. But, Mr. Chairman, I plan to pursue this issue to as far as I can through this budget year.

Senator MCCONNELL. Thank you, Senator Landrieu.

Senator Harkin.

STATEMENT OF SENATOR TOM HARKIN

Senator HARKIN. Thank you very much, Mr. Chairman.

Secretary Natsios, section 579 of our bill had five different requirements under the heading of disability requirements. I know you are committed to working to integrating disability access and inclusion into all of USAID's projects throughout the world.

Could you just kind of just briefly for the record tell us what progress USAID has made to date in accomplishing this?

Mr. NATSIOS. Well, the first thing is, Senator Harkin, that we are now obligating the money that is in the ESF account which is controlled by the State Department. It is $2.5 million for people with disabilities. And we are working that in a partnership with the State Department for the careful use of these monies.

We hope that 75 percent of this money will be spent by the end of fiscal 2005, but it is a 2-year appropriation, so we will have a little bit of time at the end of this year and beginning of next year to spend it as well.

We are making as many grants and funding as possible from this fund to disabled people's organizations, not just groups that help disabled people but disabled people's organizations and through locally-based organizations that are indigenous to build capacity so that they become sustainable on their own. Because if you just help them once through an international NGO, you have no guarantee that the next year, if there is no funding, that will continue.

Indigenous organizations in my view are the way we should be putting more money.

We have a program to train the USAID staff in disability programming and that curriculum is being designed now. And there will be a large-scale program of instruction. It will be done directly by trainers and also over the Internet. We have large-scale IT programs where our staff learn on the internet because we are spread out all over the world. We are working on that now.

We have designed standardized plans, which I think I have shown you in your office, of new schools that we are building. In Iraq and Afghanistan, we are building a large number of schools and health clinics so that they are accessible to disabled people.

Senator HARKIN. You can assure me that that is in place and——

Mr. NATSIOS. It is in place, Senator.

Senator HARKIN. Okay. That is great.

Mr. NATSIOS. Yes.

Senator HARKIN. That is great.

Mr. NATSIOS. I will show you. In fact, we will bring you some pictures.

Senator HARKIN. That is great. Thank you.

Mr. NATSIOS. We are aware that this is a problem. I have to say I have been all over the developing world and probably to 50 countries in the last 4 years and some of the most difficult scenes I have seen are of disabled people, because countries that are very poor simply do not have the infrastructure to care for people. And so I am very sympathetic to your perspective on this, sir.

Senator HARKIN. Well, I think you are doing a great job. And I just want to applaud you for moving ahead on this. You know, a little bit here and there and we are doing a lot of reconstruction.

As we have learned in the past that if you start in the beginning in terms of construction or reconstruction, the costs of making it accessible are really zero. I mean, they are just not anymore. It is just a design concept and how you do it.

Because there are so many people who have suffered disabilities, especially in Iraq and Afghanistan, that as long as we are going to be doing these things, we ought to be at least doing them right from the beginning. So I applaud your effort in that regard.

Following up on that, I just might want to ask you about Iraq. And does USAID have an individual or someone who is responsible for advising and overseeing the projects in Iraq from a disability perspective, making sure that they comply, that they do have some accessibility guidelines that type of thing? Do you have someone like that?

Mr. NATSIOS. I have appointed in Washington Lloyd Feinberg to coordinate for the whole Agency and we have asked the mission director to focus attention on this not just in one sector but in all of the sectors, health, education, agriculture, water, sanitation.

I can give you some excellent examples of what Iraqis are doing on the ground. There is a community action program, CAP, which the Congress generously gave, I think in the last supplemental, an additional $100 million.

We are constructing an educational outreach center in the Maysan Governorate through the Iraqi Red Crescent Society and they are rehabilitating the sidewalk around the building that will allow it to be accessible for disabled people. And there are about 16,000 men and 4,600 women who are disabled who will now be able to get access.

CAP is a program that uses, I think, five very well-known American NGOs to do small community access programs across the country. And I might add, it is astonishing in the middle of the insecurity that we face that many of these NGOs have had not one security incident at all because they are so imbedded in the community, the community protects them. And many of their projects are very sensitive.

We have told them we want a focus because there are a very large number of amputees from the Iraq-Iran War. More than 100,000 young men were killed in that war and there were many, many casualties. And they have not been cared for all these years. So there is a focus now on attempting to focus on that.

Senator HARKIN. Secretary, I heard your response earlier to a question. I forget even who asked it. But it sticks in my memory about not being a big fan of all these conferences that people run to all the time. And I might just say I tend to agree with you on that. Have these conferences and people go, and then you wonder what the conference is all about.

But I guess to every rule, there is an exception perhaps. Section 579 also referenced using funds for an international conference of needs of persons with disabilities. Poland, I understand, had planned to host such a conference, but it has fallen through.

The only thing I would have you think about in terms of this kind of a conference is because we have not really focused much on this with these other countries and because we, the United States, have come a long way in terms of universal design and what universal design means, I just think it might be good to have something like this so that these people who are running these programs in these other countries can come—I do not know if Poland wants to do it again or not, to host it—but to learn and to get the kind of information on universal design which they can take back.

I just ask you to think about that. Like I say, I tend to generally agree with you on sometimes conferences are just do-good affairs, the people go and nothing really happens. But in this case, the transmittal of information and ideas and concepts of which we really have come a long way in this country—we are the best in the world on universal design—might be something that you might take a look at. That is. I just ask you to think about that because it was in section 579.

Mr. NATSIOS. I met with a minister. I do not remember his title, a minister in the Polish Government. He came to visit me in Washington and we exchanged information as to what we were doing.

The Polish Government has now set up their own foreign assistance program and we are looking to partner with them in other countries. And they want to put a focus particularly on disabilities and we told them we would work with them on that.

So whether the conference comes off or not, we are still going to work together with the Polish Government.

Senator HARKIN. Even if it is not a conference, some way of getting the——

Mr. NATSIOS. Yes.

Senator HARKIN [continuing]. Foreign concepts and stuff out to these other countries. If not a conference, maybe some other way of doing it. Maybe just—I do not know. Maybe there is other ways of doing it.

Mr. Chairman, I know my time has run.

I really wanted to ask you just one question about the food aid to clear up some of the issues here. I had talked about this when Secretary Rice was here. There seems to be a little bit of confusion about the $300 million. A lot of us who have been involved in Public Law 480 for now 30 years on my part, this is a great program. It has worked well. And we are concerned about the taking funds from Public Law 480 for these emergency situations.

Could you just kind of clear that up for me, please?

Mr. NATSIOS. Sure. Senator, I ran the food aid programs under the President's father in USAID at a lower level. Food for Peace reported to me. I am devoted to food assistance as a concept. I have written a book on famines and I wrote the introduction to Fred Cuny's book on how you combat famines.

Fred Cuny died in Chechenia. He is a celebrated figure in the famine relief work and he has written many books before his premature death.

Fred said that we always lose a lot of people at the beginning of famines, particularly ones that we did not anticipate, or emergencies like Darfur that did not start out as a famine. It was just atrocities taking place because the places are in such remote areas; it takes 3 to 4 months to ship the food and get it there.

It is in all the literature. All of the experts on famine would say we have a problem in the early stages. We need our agricultural system in the United States, not just our farmers but our shippers, our companies that process the food and bag the food and dock workers.

This is a very important system. I would not want to disassemble that. And some people think this is the beginning of a trend. It is not. I would strenuously oppose any effort to undo what has been a remarkably successful program that has saved tens of millions of lives.

I have watched children die in famines waiting for the food to arrive. We now have famine conditions in some areas of Ethiopia because there were very bad rains and it is much worse than what we had anticipated probably because there was an emergency 2 years ago and people are still recovering from the emergency 2 years ago.

You generously provided, and several of you helped put that through, the fact it went through this committee, $240 million in additional Public Law 480, Title II which we are using. The day the President signed the bill, I ordered the food through USDA. USDA orders the food for us at our request. It is going to take 3 to 4 months to get there. What happens between now and then?

We propose taking in the President's budget $300 million to put in the emergency account to allow us to do some local purchase. There is always food in a famine, always. I have never seen a famine where there is not. But it is just so expensive, people cannot afford it.

We are proposing to look for surpluses for that 3- to 4-month window at the beginning of an emergency and then huge amounts of food will come later from the United States to do the bulk of the work.

This is simply an effort to stop early deaths in these emergencies, whether it is Darfur or whether it is Ethiopia or whether it's northern Uganda. It is not an attempt to undo. I would never support that, sir.

Senator MCCONNELL. You need to wrap up your answer, Mr. Natsios.

Mr. NATSIOS. I'm sorry, sir?

Senator MCCONNELL. If you could wrap up your answer.

Mr. NATSIOS. Yes. And so we would be willing to negotiate a talk to change the amount or to even just give the authority to the administrator of USAID to use part of the existing appropriation in Public Law 480, a certain percentage, a small percentage for local purchase in emergency situations.

Senator MCCONNELL. Senator Brownback.

Senator HARKIN. Thank you very much, Mr. Natsios, for clearing that up.

STATEMENT OF SENATOR SAM BROWNBACK

Senator BROWNBACK. Thank you, Mr. Chairman.

Thank you, Director Natsios, for your life's work. You have worked in a lot of places and done a lot of good. You are head of an Agency now that helps a lot in very afflicted areas of the world. And I applaud your work and what you have done.

I am going to bring up a couple of the issues that I would like to address and put these out in front of you.

On malaria, I have had some discussions with you and your office. And I would hope as we mark this bill up that our malaria work will be more on delivering of actual product.

Some I have mentioned to you privately and I am going to be working on it in the appropriation bill, actual product, actual spraying, indoor spraying for malaria or for mosquitoes in malaria-infested area.

This one is one of those that I see as low-hanging fruit, that we really can save a lot of lives pretty rapidly if we can deliver product in some of these intense, tough areas.

I know you are very familiar with that. I just mention it to you that it is something I am going to be working with hopefully the chairman, that we can get more actual product delivered there.

There was water well drilling account that was put in last year on the House side of $9 million for water well drilling that we had hoped a number of private groups would start drilling water wells, particularly in sub Sahara Africa. Water is again, you know, one of these you have got to have it. You have got to have good water. If you can have that, that is a basic that you can build some other things on.

There are a number of groups that are willing to drill water wells, I think pretty effectively, fairly, reasonably priced. And the more water wells we can drill in these places the better off they are.

I hope you can look at breaking those funds free so that they actually can go for these NGO groups and drilling water wells, particularly sub Sahara Africa. That money, it was report language, but to my knowledge to date, it has not been spent or used.

This is one of these areas Jeffrey Saks has had a series of articles out recently about ending poverty which is a dream that people have aspired to for a millennium. I do not know that it is possible, but, you know, there are basics to it. And one of them is water.

The majority of leaders got a water bill. And I would hope we would break those funds free to be able to use and to appropriate and to actually count these folks. And, okay, we are going to contract with you $1 million and we want X number of wells drilled in these areas.

I hope they are all posted with drilled with American money, American taxpayer money, and people would know that this money came from the United States to give them clear, fresh water. They need that.

On Senator Landrieu's point on orphans—and I have been to some of these places. You have been to a number of them. The scale of orphans is just massive anymore.

One of the things that I thought that we ought to be able to tap into and we tried a few years back with the Clinton administration, did not get it going, but the private sector in the United States, if you, if the agency or somebody could do a due diligence and went into Uganda, Zambia, somewhere and said, okay, if you invested in this group in that place or helped this group, we have done a due diligence.

We believe this is an authentic local group. We believe that they are helping with a number of people. We cannot do this with 100 percent reliability, but we have people on the ground. We have checked it out and we will monitor this periodically.

I think you could tap millions of dollars in the United States of people that want to help orphans, but they do not know where to put the money. They do not know who is doing things. I mean, they have groups that they are supporting from here, but they have a limited capacity too.

That you could almost take your orphanage money if you did due diligence in a number of targeted countries and telling people, okay, this group in Uganda, northern Uganda is a reliable bunch and post it on your web site, do disclaimers about you cannot check this all the time, but we do monitor this group and work with them, that there would be a lot of funds you could tap into because people really do want to help.

We have got a bill. It is a bipartisan bill on a bioshield two. This is a totally separate topic, but I just want to make you aware of it.

About 90 percent of the people in the world die of diseases where we invest about 10 percent of the money for researching pharmaceutical products. Most of the research in pharmaceutical products goes for diseases in the western world because that is where the market is. So you do not get much investment in malaria, river blindness, sleeping sickness. You know the list of diseases that 90 percent of the people of the world actually die of but get a very small percentage of the research.

In the bioshield two bill is a provision that says that we will pick certain of these diseases that we want to find a cure for and if you, the pharmaceutical company cannot identify a cure, we will let you extend a patent on your current product in a limited range to be able to access some funds to be able to do this in the developing world.

I hope that we just target into lifestyle drugs in the United States and say we can give a year patent extension, 2-year patent extension, but you have got to find a vaccine that cures malaria. You get that, we will give you this to get some of that research funding into some of these diseases that impact millions of people that they die of.

That is not in your shop. I put it in front of you because I am seeing Gates Foundation, other people stepping up in this area of really a huge lack of funding in these disease categories where so many people die from. And what a beautiful contribution if we could hit on a couple of these, even one of them, we could save tens of millions of lives.

I was at a meeting yesterday with Warren Hatch, Joe Liebermann on this topic. I think we have got the makings of a good possibility here and to really save a lot of lives. I put those out in front of you.

Chairman, I have spoken most of my time.

You can respond to those if you would like. I just wanted to lay those in front of you.

Mr. NATSIOS. Senator, first, let me mention the malaria issue which is something that concerns me. Our staff has gotten malaria, I mean because three-quarters of our staff are in the field. We have actually had staff that has died from cerebral malaria in USAID over the years.

So we take it very seriously. And we know 1 to 2 million people die each year from malaria, and because people do not get it in the west and the north, people do not focus on it. We focus on it because we live there. Our staff is out there all the time and they see the consequences.

I have been to a village in Darfur about 10 years ago. I walked in. The birds were eating the entire crop. I said why do you not harvest the crop. The entire village had malaria. They could not get out of their sickbeds to harvest it and they were hungry the next year because the birds ate the entire crop literally in front of us.

So I know it has other consequences than just the disease itself. And if you are under 5 and you get malaria, there is a 50 percent chance you will die from it.

We have invested a lot of money, $8 million in the field tests with other donor governments to test an Asian herb, artemicia. And there is a drug therapy called ACT with artemician. We did the field tests, worked with other agencies to do the field tests to make sure that, in fact, this was the optimum way of approaching this. It is. And there is a WHO report now that many donors contributed to, including us, that proves that this is, in fact, a very viable strategy.

What we have done is we funded the planting of 2,200 acres in Africa of this herb and we are now working with companies to begin African companies, not western companies, to begin to process this in the appropriate amounts that will actually have the desired effect because it is very effective against malaria.

It is better that the Africans do it themselves and it become an industry in Africa and work itself into the marketplace because the best way to get anything distributed in Africa is through the private markets.

That is our plan. We are working on that now and we are beginning the process. We have now proven it works and we are trying to extend it. I can provide some written material to you, Senator, on these other issues because I know my time is up.

Senator BROWNBACK. Thank you.

Senator MCCONNELL. Thank you, Mr. Natsios.

I am going to turn to Senator Bennett. And I see that Senator DeWine is here.

Would you like another round?

Senator DEWINE. That is up to you, Mr. Chairman.

Senator MCCONNELL. Senator Bennett.

STATEMENT OF SENATOR ROBERT F. BENNETT

Senator BENNETT. Thank you very much, Mr. Chairman.

Mr. Natsios, like the other members of the committee, let me thank you for your service, your expertise in an area that some might consider fairly arcane, but we appreciate your passion and your dedication for this.

Listening to this, I have several items that just kind of jump out at me at random. First, your reference to the scholarship program.

I remember a dinner I had with a finance minister of a country that I shall not name publicly for reasons that may become obvious. And I said to him—this was in his own country. We were having dinner together. I said to him, what do you need the most. And he did not hesitate for a minute. He said I need 15 people I can trust.

I preside over a bureaucracy that is about 50,000 people. And this is a country where the government is the employer of last resort maybe. And he said I could fire every one of them if I had 15 people I could trust and I keep trying to get AID to pay for scholarships. This particular man has a Ph.D. in economics from one of America's most prestigious universities. And he said if I could get 15 young people to come back with Ph.D.s from legitimate Amer-

ican universities, I could run my whole bureaucracy and fire the other 50,000.

USAID says to me, no, we do not do scholarships. And the reason is you will just pick your nephew and your brother-in-law and whatever and send them to the United States to study at our expense. And he said my response to them was, okay, you pick. Do you think our government is sufficiently corrupt, we will not pick. He says I still cannot get them to do it.

So I simply tell you that story to underscore your dedication to the idea of scholarships. And it may not be as long term a payout as you have indicated in your testimony here. There may be a turnaround within 5 to 10 years if this particular fellow is indicative of the kind of help that they really need in the government. So I leave you with that.

Micro credit, micro credit is one of my passions. I raised it with Secretary Rice when she appeared before the subcommittee.

Could you comment briefly on what your plans are for micro credit, what percentages you plan to put out for micro credit? I understand you prefer private contractors.

My own experience is that the issue is to get the micro credit into the hands of the people rather than to have money that is dedicated to micro credit eaten up with administrative processes. So I would like your comment on that.

One final issue, we were in Palestine. I was enormously impressed with the new Palestinian leadership, specifically the finance minister, who is cleaning up the corruption.

I said to him the American press says that Arafat made off with as much as $1 billion. That is a staggering sum. Could that be possibly true? And he said, yeah. He said we have recovered $660 million so far and we are still digging and finding.

I think this may not be in your area of responsibility and if it is not, then correct me, but I know there are some in my party who say we cannot give aid directly to the Palestinian authority. I think that attitude was more than justified with Arafat skimming $1 billion off the top. I do not think it is justified with the new anti-corruption attitude that we have in this new finance minister.

I think as a demonstration of America's confidence in the new government and an encouragement to them to continue at least the promises they have made with respect to terrorism, promises that Arafat never intended to keep, that we should make aid available directly to the Palestinian authority instead of insisting as some might think in the other body do that it goes through NGOs or some other places and has strings attached. I think it is very important for the legitimacy of the Palestinian authority to get money directly.

So those are my concerns and I would be happy to hear whatever responses you might have on any of them.

Senator MCCONNELL. Before you respond, Mr. Natsios, I must go. I have asked Senator Bennett to wrap up. If Senator DeWine would like another round and that works for you, too, that would be fine. Thank you for coming.

Senator Stevens had a statement he would like to put in the record as well.

[The statement follows:]

PREPARED STATEMENT OF SENATOR TED STEVENS

In the fiscal year 2006 Foreign Operations budget, the President eliminated $37 million in total aid to Russia from $88 million in fiscal year 2005, to $51 million in fiscal year 2006. I am concerned that such a drastic cut does not take into account the needs of the Russian Far East.

The Russian Far East faces numerous challenges not present in the more urban areas of Western Russia, including economic and social development and foreign direct investment. It is in these areas that I see the most drastic cuts, and it is in these areas that the Russian Far East depends the most on foreign aid.

In addition to completely zeroing out economic policy reform, the presidential request cuts in half the aid for small business development, improved local governance and economic development, and health and child welfare.

The situation in the Russian Far East is analogous in many ways to the situation faced by towns and villages in rural Alaska, including; limited access to these areas, a lack of infrastructure, and a lack of basic amenities like running water, waste disposal, and sewer systems. Additionally, the Russian Far East has a multitude of humanitarian issues such as high rates of fetal alcohol syndrome, alcoholism, and tuberculosis. These are factors unique to the Russian Far East, and require special attention. The cuts the President has requested do not reflect the great needs that have yet to be met in the Russian Far East.

Due to the similarities between the Russian Far East and rural Alaska, it is also important to continue working with the University of Alaska-America-Russia Center and Alaska Pacific University to aid efforts in business development and expanding health and public works efforts. I am pleased to see the administration support the important work these institutions do for the Russian Far East, and look forward to continued support for these programs in the future.

I am also concerned to see that the funding used to provide financial support and basic equipment to drill local water wells, addressing the need for clean drinking water in Third World countries as well as rural Alaska, has been zeroed out in fiscal year 2006. This not only affects persons living in rural Alaska and the Russian Far East, but people all across the Third World who lack sufficient drinking water. Lack of support for these efforts could lead to a serious humanitarian issue in the future.

I hope the State Department and administration will consider all of these issues in allocating resources to Russia and the Third World.

Mr. NATSIOS. Thank you, Senator. These are really good questions.

The first is there has been a policy against scholarships in USAID even though the career officers bitterly complain against it.

We had a meeting of our 80 mission directors last week. Secretary Rice spoke to us. And I announced that we were rescinding the policy and we are going to go back to a scholarship program. We have got to find the money to do it, however. I just want to say that.

Senator BENNETT [presiding]. If you have additional problems, let us know and we will help you with some language in the bill.

Mr. NATSIOS. We will. But I went to everyone and I said you are going to resist this. They said resist this? We have been waiting for this for years. We resent the policy that had been established earlier.

Senator BENNETT. Okay. Good.

Mr. NATSIOS. So they now have carte blanche to say yes depending on the country and the ministry. It does depend on the country.

Senator BENNETT. I understand.

Mr. NATSIOS. Okay. In terms of micro credit in fiscal year 2001, we spent $156 million in micro credit. In 2004, we spent $190 million. And we expect to reach $200 million this year.

I am a strong supporter of micro finance because a lot of the jobs created are not just, I might add, in the developing world but in the United States are from smaller enterprises, right? A famous MIT study from some years ago noted that most new employment

in the United States is not created by very big companies but by small companies.

In some countries, the ministries will say we want to have our own micro finance program. We want a piece of legislation in. NGOs are very good, and I came from the NGO community. I started the micro finance programs in World Vision when I was there 10 years. I was vice president for 5 years. USAID supports NGOs. We are the principal funder in the world of NGOs to do micro finance. But they cannot be the only ones we work with.

When a government says help us write a statute that will get through the parliament to establish indigenous micro finance lending institutions, I send a technical expert to do that and that is usually from a university or a contracting agency that has expertise in this.

Sometimes the central banks want to help rewrite their regulations to facilitate smaller loans. Central banks are not something micro lending NGOs deal with. But can it affect the amount of money available? Oh, profoundly if you write the regulations the right way.

So technical assistance does count sometimes and we do not want a situation where we are having competition between the NGOs and these technical people because we need both of them. If we do not have both of them, we are not going to succeed in this in the longer term.

In terms of the Palestinian Authority, the President is going to tell me what to do and I am going to do it.

I happen to personally favor your position on this because the finance minister is very well regarded by the USAID mission. He is what he appears to be from what we can see and we work with him all the time and talk with him.

But there is a prohibition in law against us giving money to the PA unless there is a presidential waiver and restrictions. Actually, we did not have money stolen because we did not put much money through the PA. And when we did, we had it.

We made agreements that the money would be put in a bank account in the bank of our choice and there were concurrent audits being done to make sure that did not happen because we heard stories.

Senator BENNETT. He stole it from—he was an equal opportunity thief.

Mr. NATSIOS. Yes, he did.

Senator BENNETT. He stole it from everybody.

Mr. NATSIOS. Yes, he did. We think that the best hope for peace right now is to support the President who was elected democratically by his own people. He is a moderate. He wants to end the violence and the President met with him today.

I do not know what agreements were made. But whatever they are, we are going to do them. Secretary Rice is focusing on this. We are focusing on it. I deal with it every week. And, Senator, if I am told to do it, I am going to do exactly what they tell me to do.

Senator BENNETT. Well, simply carry the message back that there is at least one appropriator who would look very kindly on that particular focus.

Senator DeWine.

Senator DEWINE. I just have a couple more questions.

You talked very eloquently about the change that you would like to make in regard to food aid and the flexibility you would like.

I wonder if you could just talk a little bit about the overall issue of food aid. We were able to get a little money for you all in the supplemental. But as you look at the next budget that we are getting ready to prepare now or the appropriations we are working on now and the year ahead, where are we in the world?

Mr. NATSIOS. Well, Senator, the problem with food aid and our budgeting process is that our budgets are put together about a year to a year and a half before they are actually appropriated.

Senator DEWINE. Right.

Mr. NATSIOS. And so I cannot tell when there is going to be a drought or genocide or a civil war, an insurgency. And for a number of years now—it is not just the last 2 years—70 to 75 percent of our funding through Title II goes to emergencies. And I do not expect frankly that is going to change a lot.

We have a very serious crisis in Zimbabwe now, in northern Uganda, in eastern Congo, in Darfur. In southern Sudan, there is a drought and we do not want to disrupt the peace process that has taken us all these years to reach fruition. And there are food aid needs in the south, but particularly in Ethiopia where there has been a serious drought.

I cannot predict what conditions are going to be like once the budget passes because it will be affected by the crop that is harvested this fall in many of these countries. I watch this on a daily basis in terms of the food programs because I know it means the difference between life and death for many people.

When there is a need, USAID goes through the interagency process to try to access the Emerson trust. We accessed the Emerson trust in Darfur. And I have no hesitancy going to ask for assistance through that mechanism which, of course, will allow us the flexibility when we do not have the amount of appropriation we need.

So that is a very important tool that we have. But the other tool that I would like is at least some degree of the ability to do local purchase. It could be done through the means in the budget which is the mechanism that I support.

Of course, this is through different committees; it would be the Agriculture Committees and Appropriations Committees that would have to do this—is perhaps a change that allowed maybe 10 or 15 percent of Title II to be used for local purchase when there is an emergency situation that requires immediate attention.

The more tools we have that are more flexible, the more people's lives we can save and the more crises we can prevent from getting to the critical point. None of us want to see people die. And 60 percent of the food that goes to the World Food Program comes from the United States. We are the largest donor of humanitarian assistance.

According to the DAC, the Development Assistance Committee of the OECD that keeps records on all donors, on the emergency side, which is droughts and civil wars and natural disasters, the U.S. Government is 50 percent of the total for all donors in the world comes from U.S. Government, principally from the PRM account of the State Department and USAID's accounts.

I am very proud of that. I work on it very hard. And we appreciate the support of the Senate and the House on these appropriation bills because without the appropriations, we cannot do this work.

But I cannot predict what is going to happen in the future in terms of crops and droughts and civil wars unfortunately. I wish I could.

Senator DEWINE. Of course, we had to come up with a figure in regard to the money. So that is——

Mr. NATSIOS. I am told by OMB that I support the——

Senator DEWINE. Yes, I understand.

Mr. NATSIOS [continuing]. Budget as proposed. Of course, Senator.

Senator DEWINE. Of course you do. We understand that.

I wonder if you could talk a little bit about the situation in the Congo. The reports are that 1,000 people a day possibly die from preventable diseases and hunger because humanitarian groups simply cannot reach them.

What is USAID doing to develop new strategies for the Congo and other conflicts where there are large parts of the territory that are really just inaccessible to humanitarian aid groups?

Mr. NATSIOS. There is, of course, a horrendous civil war with unspeakable atrocities. I do not even want to discuss them in public. They are in some cases worse, worse than what has happened in Darfur. The problem is there are not people reporting it, so the media does not see what has happened there.

One of the first acts that I undertook when I became Administrator was to review our emergency budgets both, Title II and the OFDA budget, the Office of Foreign Disaster Assistance, a program I ran under the President's father, to see if we could come up with money for eastern Congo, which is where the focus of these atrocities are.

The level of mass rape has been unimaginable. In some cities, two-thirds of the women have been raped. The violence against women—I have never seen anything so horrific. It is horrible in Darfur, but it is just as horrible in eastern Congo.

We have begun a whole program to try to stop that and we worked with some members of the international community to see if we cannot get some rape convictions. And as of now, based on some funding we provided to institutions, international institutions, 70 people have now been convicted of rapes and put in jail in very highly visible cases.

You do not have to put everybody in jail who commits the rapes. All you have to do is do it and do it visibly because it sends a message that you cannot have impunity in this kind of violence.

The second problem that we are facing right now is one of the major crops that people survive on are bananas. You know, that is the principal crop in Burundi, Rwanda, and part of eastern Congo. There is a banana virus now that is spreading very rapidly and killing much of the banana crop.

There is an improved variety of banana that was developed by some of the international research that USAID funds with other donors through the World Bank. And we are trying now to use funds appropriated in the 2005 budget to begin to spread this ba-

nana-resistant crop that will supplant the virus-prone plant that is now dying.

We have tested this. It does work. It does not get the virus if it is planted. And it is just as good and just as productive. So we are trying to do that as a developmental intervention.

The third thing we are facing now is the spread of disease. The number of people according to reporting that the International Rescue Committee has done on child deaths in some of the cities are simply astronomical.

I am at a loss to figure out how the death rates could have been this high. It cannot be just disease. I think part of it must have been disruption of the markets and a disruption of people's family income so they cannot access the markets.

But we are looking at this now and we have put a number of grants through OFDA in place to do immunizations working with UNICEF and the NGO Committee which we will continue.

Senator BENNETT. Well, I thank you very much. Your testimony has been very, very helpful.

Mr. NATSIOS. Thank you.

ADDITIONAL COMMITTEE QUESTIONS

Senator BENNETT. There will be some additional questions which will be submitted for your response in the record.

[The following questions were not asked at the hearing, but were submitted to the Agency for response subsequent to the hearing:]

QUESTIONS SUBMITTED BY SENATOR MITCH MCCONNELL

ARMENIA

Question. Congress recommended up to $3 million in fiscal year 2005 funds for ongoing humanitarian needs in Nagorno-Karabakh—does USAID anticipate providing this funding?

Does USAID have the capacity to increase activities in Nagorno-Karabakh, and if so, what additional programmatic opportunities exist?

Answer. Between fiscal year 1998 and fiscal year 2005, USAID obligated $25.2 million for Nagorno-Karabakh (including $2 million in fiscal year 2005).

USAID continues to carry out humanitarian work at levels that USAID believes to be effective and appropriate in meeting the basic needs of those in Nagorno-Karabakh. USAID's humanitarian assistance to Nagorno-Karabakh supports basic shelter, primary and maternal health, income generation, potable and irrigation water supply and sanitation, subsistence agriculture, schools, and mine clearance.

EGYPT

Question. What is the fiscal year 2006 budget request for democracy programs for Egypt, and does USAID intend to support indigenous groups—such as the Ibn Khaldoun Center—with these funds?

Does USAID support continuation of language in current law that denies the Egyptian Government's veto over democracy and governance activities?

What is USAID's view on the $200 million Commodity Import Program for Egypt—has it outlived its usefulness?

Answer. The USAID fiscal year 2006 budget request for democracy programs is $25.4 million. Part of these monies will be used to support indigenous groups. We will fund ideas to promote political reform from Egyptian civil society actors, such as the Ibn Khaldoun Center.

USAID supports continuation of language in current law that denies the Egyptian Government's veto over democracy and governance activities.

Given the GOE's shift to a market determined exchange rate and the increased availability of foreign exchange, USAID is looking at options for reprogramming the Commodity Import Program's funding.

TSUNAMI ASSISTANCE

Question. Congress recently approved $656 million for the Tsunami Recovery and Reconstruction Fund. The world was generous in pledging assistance to impacted areas following the tsunami—are pledges being fulfilled, and if not, which countries are delinquent?

Answer. Figures compiled by the U.N. Office for the Coordination of Humanitarian Affairs (OCHA) indicate that humanitarian assistance commitments/contributions are about two thirds of the amount initially pledged by donors. In a June 6 report, the United States is listed among donors that have yet to fulfill their pledges, although total U.S. commitments to date, including DOD expenses, exceed the $350 million U.S. pledge. OCHA reports other donors that have yet to fully meet their pledges include Canada, the European Commission, the United Kingdom, Germany, Italy, China, France, United Arab Emirates, Sweden, Australia, Finland, and New Zealand.

TSUNAMI ASSISTANCE: RESPONSE OF INDONESIAN GOVERNMENT

Question. How would you characterize the response of the Indonesian government, including the military, in providing relief in Aceh?

Answer. Operating under extremely difficult circumstances, the Government of Indonesia (GOI) performed remarkably well during the initial emergency relief phase following the earthquake and tsunami on December 26. It acknowledged the enormity of the disaster and the fact that the scope of the disaster far outweighed the GOI's own capacity to provide emergency relief and supplies. The decision on December 28 by the GOI to open up Aceh to foreign donors, NGOs, militaries and media was heartening, as this conflict zone was a "no go" area for foreigners up until this date. This allowed a rapid ramp-up of international assistance efforts that was made possible, largely, by the close cooperation with the Indonesian military (TNI). Belying widespread concerns that the TNI might restrict the flow of aid or limit access to victims, the TNI, by and large, pitched in with critical logistical and manpower support. With the arrival of U.S. military assets on January 1, this was all the more important. The TNI assisted in coordinating the landing of relief planes, U.S. helicopter sorties and relief supply convoys. In the ensuing weeks, the U.S. military and TNI worked closely in providing emergency relief and supplies that saved thousands of lives.

Beyond the role played by the TNI, the GOI played an important regional leadership role in successfully organizing an international donors' conference in Jakarta in mid-January, in cooperation with ASEAN and the United Nations. This helped bring global attention to the enormity of the disaster in not only Indonesia but throughout the region, and resulted in major pledges of assistance to all affected countries. As the relief phase ended, the GOI developed an overall blueprint for the rehabilitation and reconstruction of Aceh. The GOI also built temporary living quarters, which have provided shelter to some of the nearly 500,000 homeless survivors. With the recent establishment of the Aceh and Nias Rehabilitation and Reconstruction Agency, there is a new sense of urgency on the part of the GOI to provide better coordination of the recovery effort and to move more quickly in providing shelter, restoring livelihoods and re-establishing basic community services.

IRAQ: CONTRACTS

Question. What percentage of contracts are security costs, and what is the average overhead cost per contract?

How many contracts has USAID awarded to Iraqi entities, and will increasing these contracts have any impact on reducing security costs for activities in Iraq? Might it increase the pace of reconstruction?

Answer. The total estimated security cost for USAID/Iraq contracts averages around 10 percent of the total contract value with an average overhead cost, including security, of roughly 37.4 percent. For example, Bechtel, USAID's largest contractor in infrastructure, with a negotiated overhead cost of approximately 30 percent, estimates 7.1 percent for costs of security and insurance.

USAID has not made any direct contracts with Iraqi entities. Through subcontracts, USAID has approximately 3,000 Iraqi partners, including Civil Society Organizations, Non-Governmental Organizations, grantees and subcontractors. For example, Bechtel, USAID's largest contractor has made over 160 subcontract awards, valued at approximately $200 million, to Iraqi entities.

Security costs are notably reduced when Iraqis are involved in implementing contracts. For example, CAP and DAI, which use many Iraqi firms, have average security costs of 6 percent versus the overall average of 10 percent in security costs for

USAID/Iraq contracts. Although involving Iraqi firms reduces security costs, it is not likely to increase the pace of reconstruction. USAID is presently disbursing $40 million weekly, sufficient to complete the reconstruction work assigned to us by mid-2006.

IRAQ: VOCATIONAL TRAINING

Question. USAID is considering a change to the Iraq Vocational training and employment services contract. The committee has expressed support for using some of the aspects of the U.S. job corps program in the delivery of vocational training to Iraqis.

As I am concerned that USAID will abandon the use of the U.S. Job Corps model in this contract, can you assure me that the agency will continue to utilize effective U.S. Job Corps approaches in the vocational training we are providing in Iraq?

Answer. The U.S. Job Corps remains one of the world's most successful programs with regard to vocational training. USAID fully expects that any proposal being submitted to implement a vocational training program in Iraq, particularly from an American firm, would include the U.S. Job Corps as a basis for the implementation structure. However, wholesale importation of the model as a panacea for Iraq's vocational training needs would be insufficient as the post-conflict and socialist nature of Iraq's economy requires a tailored, Iraq-specific solution. At this time, USAID is revising the statement of work to reflect the immediate needs for a trained workforce to allow Iraqis to successfully operate and maintain the public utility projects that will be turned over to them in late summer 2005.

IRAQ: DEMOCRACY PROGRAMS

Question. What contracts and grants exist for democracy promotion in Iraq and how successful have these efforts been?

How does USAID coordinate its democracy-building efforts in Iraq with the State Department and Iraqi Government, and does the Administration intend to continue to support the work of the International Republican Institute and the National Democratic Institute in Iraq?

Answer. Grants and contracts grants exist for democracy promotion in Iraq with the following organizations: America's Development Foundation (Contract), Consortium for Elections and Political Process Strengthening (Grants for NDI, IRI, and IFES), Research Triangle Institute (Contract), ACDI/VOCA (Grant), CHF (Grant), Mercy Corps (Grant), Save the Children (Grant), IRD (Grant), and Voice for Humanity (Grant).

Collectively, these programs have contributed significantly to the elections, building democratic institutions, raising public awareness and understanding of democratic principles and processes, encouraging civic participation across all ethnic, tribal, religious, gender, and regional lines, and assisting civilian victims of war. As a significant by-product of the project goals, they have directly and significantly increased employment opportunities and improved infrastructure.

USAID/Iraq works hand-in-hand with Embassy Baghdad while USAID/Washington is actively engaged in the formal interagency process as well as regular communication with Department of State counterparts. USAID's programs in the field are coordinated with the Embassy and the appropriate Iraqi government officials. The Administration highly values the work of IRI and NDI and expects to continue supporting their work in Iraq in fiscal year 2006, subject to the availability of funding. Our grantees under the Community Action Programs work almost exclusively with and through Iraqis, building their skills in citizen advocacy, collective decision-making, and other democratic processes while rebuilding their lives and neighborhoods. The local governance program implemented through Research Triangle Institute also works predominantly with and through Iraqis improving the capacity of government officials to deliver basic services and respond to the needs of their constituents. America's Development Foundation works with Iraqi civil society organizations, journalists, and media outlets to enable them to effectively represent issue-based points of view.

DEMOCRACY PROMOTION

Question. What specific plans does USAID have to ensure it keeps pace with the President's agenda to promote freedom abroad, and why isn't democracy its own "pillar" within USAID?

Answer. USAID has identified "building sustainable democracies" as one of the Agency's four overarching goals. Currently, USAID manages democracy programs in over 80 countries. For over two decades USAID programs have contributed to the

rule of law, legitimate political processes, a robust civil society, and good governance.

Our work includes democracy promotion to democracy building. For example, USAID is working with the Government of Iraq and Iraqi officials to build capacity in key government ministries that will undertake the task of governance in the new regime. A key element of U.S. assistance is to help Iraqis learn to make decisions at the grassroots level. Through its Community Action Program, the agency works with residents of neighborhoods to identify, prioritize, and meet critical community needs while utilizing democratic processes. USAID has committed over $129 million to date to fund 2,844 community projects.

To keep pace with the President's agenda, USAID is drafting a "democracy building" strategy which will be completed soon. It addresses the challenges of fragile and failing states, as well as recalcitrant states, and the linkages between governance and other development sectors and activities. The strategy will position USAID to ramp up its democracy programs.

In addition to building a more robust Office of Democracy and Governance, USAID is training many new officers through the New Entry Professional, the International Development Intern, and the Presidential Management Fellow programs. The Agency currently has approximately 400 trained democracy and governance professionals, and continues to staff up.

During the Agency's 2002 reorganization, the Center was moved to the new Bureau for Democracy, Conflict, and Humanitarian Assistance (DCHA) and renamed the Office of Democracy and Governance. The location of the Office of Democracy and Governance in the DCHA Bureau assures that democracy and governance activities will not be stove-piped, but rather mainstreamed within the Agency's critical programs. Over the course of fiscal year 2005, USAID will continue to strengthen our democracy programs and looks forward to working with the Committee to this end.

DEMOCRACY DEFINITION

Question. What is USAID's definition of a democracy program, and what is the rationale for the Agency's preference to use large contractors instead of smaller, more specialized grantees in conducting these programs?

Answer. The following definition of democracy and governance programs was agreed by USAID and the State Department:

Democracy and governance programs are technical assistance and other supports to strengthen the capacity of reform-minded governments, non-governmental actors, and/or citizens, in order to develop and support democratic states and institutions that are responsive and accountable to citizens. They also include efforts in countries that are not reform-minded, to promote democratic transitions. Programs are organized around core concepts considered the key building blocks of democracy. Democracy programs promote the rule of law and human rights, transparent and fair elections coupled with a competitive political process, a free and independent media, stronger civil society and greater citizen participation in government, and governance structures that are efficient, responsive and accountable.

USAID does not prefer to use large contractors instead of smaller, more specialized grantees in implementing democracy and governance programs. The Agency encourages all possible providers of goods and services to compete in the various acquisition and assistance processes which the pertinent federal laws and regulations require. Contracts are utilized when a very substantial degree of control and ongoing oversight of the activity is appropriate. This level of involvement is often required in sensitive efforts to reform governments or build democracy, but is inappropriate in working with grantees. However, USAID supports more specialized grantees extensively in its democracy programs.

COORDINATION OF DEMOCRACY PROGRAMS

Question. How does USAID coordinate its democracy programs with the State Department and the National Endowment for Democracy?

Answer. We coordinate at every level possible with the State Department. In the field, USAID works under the authority of the Ambassador, and the Mission Director reports to the Ambassador. In some areas, such as democracy and governance, there are often standing committees, led by the State Department, in which all relevant U.S. Government agencies in the country coordinate their activities (this may include the State Department, USAID, Department of Justice (FBI), Drug Enforcement Administration, and others). Indeed USAID feeds directly into the Mission Program and Planning process to ensure consistency and coordination at the country level.

In Washington, the relationship is extremely rich and complex, with networks in both regional and functional areas, as well as a variety of management channels. USAID's Bureau for Policy and Program Coordination has the primary responsibility for linkages and coordination. The DCHA/DG office has additional separate, lower level linkages, particularly with the regional bureaus and the State Department's Bureau of Democracy, Human Rights and Labor (DRL) Office. One example of coordination with DRL is represented by the Agency's regular service on technical review panels to evaluate proposals submitted in response to democracy-related RFAs issued by the State Department. In coordination with DRL, we are also beginning to work out a common budget format and improve common indicators of DG success. With the State Department's Policy Planning Staff, we have been involved in developing and coordinating strategic planning operations. With the Bureau for International Narcotics and Law Enforcement Affairs (INL), USAID often works on security issues, local governance and other areas of DG activity, often implementing INL funding into DG programs.

USAID and the National Endowment for Democracy (NED) implement complementary programs. The two agencies share information on a routine basis, both in Washington and in the field, concerning their respective activities. USAID receives and disseminates quarterly a list of all NED grants, so as to not duplicate work already being done by NED. Moreover, USAID is the primary support agency for the National Democratic Institute, International Republican Institute, and the American Center for International Labor Solidarity, which represent three of NED's constituent institutes.

SPENDING ON DEMOCRACY FUNDS

Question. How much did USAID spend on democracy programs in fiscal year 2004, and what percentage of these funds went to contractors and to grantees?

Answer. USAID allocated $1,380,655,000 for democracy programs and activities in fiscal year 2004, inclusive of all appropriations and transfers channeled through USAID. Specifically within the Development Assistance account, USAID used approximately $148,103,000 for democracy and governance programs.

During fiscal year 2004, approximately $1.04 billion were put into new or existing grants and contracts related to democracy and governance. Of this, $650.16 million or 62 percent went into grants. The remaining $393.21 million or 38 percent went into contracts. The proportion going into grants increases to 67 percent when Iraq and Afghanistan are removed from the calculation. In Iraq and Afghanistan, democracy grants accounted for 45 percent and 84 percent respectively.

DEMOCRACY CONTRACTS

Question. Please provide a detailed listing of all democracy contracts awarded in fiscal year 2004 and 2005 on a country-by-country basis, including the name of contractor, the amount awarded, and a brief summary of contract objectives.

Answer. USAID is currently disaggregating its fiscal year 2004 democracy and governance programs to provide this information. This work will be completed shortly.

AVIAN FLU/HIV/AIDS

Question. Should the Avian influenza prove pandemic, what is the anticipated health impact on the HIV/AIDS population in Asia?

Answer. The virus that causes Avian influenza, called H5N1, has newly emerged and even the healthiest humans have little or no immunity to it. Current mortality rates from H5N1 infection exceed 60 percent. Nearly all of those who have died from Avian influenza to-date have been young and in general good health. Should this influenza prove pandemic, all people would be at risk. The Central Intelligence Agency estimates the death toll to be as great as 180 million people during the first nine months of the outbreak. While there have been no specific studies evaluating the impact of H5NI infection on HIV/AIDS populations, it is assumed that diminished immuno-competency will contribute to even greater vulnerability to infection and death.

PROGRAMS IN THAILAND REGIONAL OFFICE

Question. Please provide a summary of all programs (including a brief description of activities and funding amounts) that USAID's regional office in Thailand manages.

Answer. Activities managed by RDM/A fall under four strategic objectives—all funding is fiscal year 2005 appropriations unless otherwise stated:

Strategic Objective—Vulnerable Populations in the Region Assisted and Other Special Foreign Policy Interests

—*Reduce Trafficking in Persons ($400,000 DA)*.—Emphasizes stronger ties among countries in the region on trafficking issues and cross border initiatives including prosecution, protection and prevention as well as improved data collection, capacity building and standardization of research and monitoring and evaluation tools.

—*Protect Human Rights and Equal Access to Justice ($700,000 CSH; $1,070,000 CSH Prior Year; $300,000 DA)*.—Strengthening the legal framework to protect the rights of people with disabilities (PWD), including enforcement of Barrier-free Access Codes and Standards in construction, implementation of national action plans on accessibility to public transportation and reviewing and enforcing of governmental standards on employment of PWDs, along with helping PWDs to acquire the knowledge and skills needed to find employment.

—*Build Health System Capacity ($500,000 CSH; $500,000 CSH Prior Year; $450,000 DA)*.—Strengthen institutional structures; shape direction of prosthetic and orthotic rehabilitation; support development of NGO laws to raise awareness of the role of civil society in Vietnam; and, support inclusive education for the disabled.

—*Establish and Ensure Media Freedom and Freedom of Information (Burma) ($4,500,000 ESF; $2,366,000 ESF Prior Year)*.—USAID will fund targeted programs at the U.S. Embassy's American Center; support training and advocacy for a transition to a democratic government by preparing the Burmese population (inside and on the Thai border) to participate in a free and democratic society. The State Department-managed portion of this program supports information and media activities and institution building programs.

—*Health and Education along the Thai-Burma Border (Burma) ($3,000,000 ESF; $6,057,000 ESF Prior Year)*.—Humanitarian assistance to refugees along the Thai/Burma border will continue to improve access to primary health care, maintain nutrition and food security for refugees and provide access to health care for Burmese in Thailand residing outside of refugee camps. A recently competed request for proposal (RFA) will further define focus areas. Also included is the development of a viable and sustainable education system recognized in and transferable to Burma when refugees return to their homeland. Activities include training and capacity building for teachers, principals and administrators; curriculum development; and special education.

—*Prevent and Control Infectious Diseases of Major Importance (Burma) ($436,000 ESF; $1,000,000 ESF Prior Year)*.—Continuance of the regional HIV/AIDS activities described below to include Burma. The malaria and infectious diseases program launched in fiscal year 2003 along the Thai-Burma border will continue. The RFA mentioned above will determine focus areas.

—*Protect and Increase the Assets and Livelihoods of the Poor during Periods of Stress ($4,216,000 ESF; $110,000 ESF Prior Year)*.—In fiscal year 2004, USAID supported ethnic Tibetan communities in China. Fiscal year 2005 funds will be used to continue these programs as well as an existing agreement with The Bridge Fund (TBF). The Sustainable Tibetan Communities project is implemented in the Tibet Autonomous Region (TAR) and in other Tibetan areas outside the TAR.

Strategic Objective—Improved Regional Governance and Economic Reform

—*Improve Economic Policy and Governance ($6,000,000 DA)*.—A grant or cooperative agreement will be competed to implement a regional program that will improve public and private sector governance; improve transparency and accountability; development public policy reforms consistent with civil society advocacy, judicial reforms, advancement of democratic processes and counterterrorism measures such as anti-money laundering practices; and, encourage progress toward implementation of free trade agreements and the promotion of open political and economic systems. This activity will include promotion of further trade and investment reforms needed to meet Vietnamese BTA commitments and requirements for WTO accession.

—*Improve Economic Policy and Governance ($744,000 ESF)*.—Technical assistance and training will support USG objectives with ASEAN such as enhancing administrative and implementation capacity of the secretariat and building regional cooperation on transnational areas such as terrorism, human trafficking, narcotics and HIV/AIDS and other infectious diseases.

—*Improve Community-Based Reconciliation Efforts ($992,000 ESF)*.—Working closely with the Embassy in Bangkok, USAID will identify measure and activities to promote reconciliation and peace in Burma and Southern Thailand

through activities such as primary education, migrant rights, democracy and press freedom.

Strategic Objective—Improved Regional Environmental Conditions

—*Improve Access to Clean Water and Sanitation ($4,000,000 DA)*.—Provide technical assistance and training to Asian NGOs and consumer groups to increase awareness and advocacy for expanded water access through regional grants programs, working with the private sector and public awareness campaigns. Planned activities include linking Asian water providers with U.S. utilities to assist in the development of financial plans for full-cost recovery; improving operating performance; identifying technologies to expand water and sanitation access; and working with local and national governments to improve the policy framework for tariff reform, land tenure and regulations for inter-governmental fiscal transfers and other enabling conditions.

—*Reduce, Prevent and Mitigate Pollution ($1,000,000 DA)*.—Activities at the city, national and regional levels will improve urban air quality while responding to the Presidential Initiative on Global Climate Change. Training and technical assistance to local governments will strengthen capacity to manage air quality through monitoring, development of data bases and emissions inventories, the use of air quality planning tools and identification and assessment of improvements.

—*Improve Sustainable Management of Natural Resources and Biodiversity Conservation ($3,000,000 DA)*.—RDM/A is assuming responsibility for programs previously managed by the East Asia and Pacific Environmental Initiative for forest, coastal and marine resources management and biodiversity.

Strategic Objective—Improved Effective Regional Response to HIV/AIDS and Infectious Diseases

—*Reduce Transmission and Impact of HIV/AIDS ($13,343,000 CSH; $193,000 CSH Prior Year)*.—Through the Greater Mekong HIV/AIDS program, USAID is supporting efforts and collaborative partnerships to rapidly scale-up access to packaged prevention, care, support and treatment interventions that effectively reach most-at-risk populations in both country-specific and region-wide contexts. Quality is maintained through south-to-south exchanges and centers of excellence that foster institutional capacity building in remote areas currently lacking quality health care service providers. Activities ensure the persons living with HIV/AIDS have a role in planning AIDS programs.

—*Prevent and Control Infectious Diseases of Major Importance ($4,108,000 CSH; $1,000,000 CSH Prior Year)*.—Activities focus on TB, malaria, surveillance, infectious disease control in migrants and host communities on the Tai-Burmese border and control and prevention of infectious diseases of local importance by strengthening and expansion of treatment strategies; monitoring for multi-drug resistant TB; enhancing collaboration between HIV and TB programs and developing a TB diagnostic algorithm; surveillance for anti-malarial drug resistance; increased emphasis on drug quality surveillance, adherence and drug use assessments; enhanced regional coordination efforts; and capacity building. Given the increasing impact of avian influenza in the region, USAID will continue to act in concert with other U.S. Government agencies and international organizations to prevent the spread of the disease and increase the ability of affected countries to manage avian flu outbreaks.

OVERSEAS CONFERENCE EXPENDITURES

Question. How much does USAID spend on travel to overseas conferences and meetings?

Answer. The Agency does not separately account for travel to overseas conferences and meetings. The best readily available proxy is spending under Object Class Code (OCC) 210330, which covers travel for conferences, seminars, meetings, and retreats. In fiscal year 2004, the Agency obligated $8.9 million under this OCC. Although this provides a general idea of spending on conferences and meetings, the data has several limitations, including that it covers both overseas and domestic travel.

In particular, the data includes spending on seminars and retreats, in addition to conferences and meetings, and for USAID-hosted events, not simply travel and attendance at outside conferences. The data also may exclude spending on conferences and meetings that may be classified under other object class codes, such as site visits, particularly if the conference or meeting was completed in conjunction with a site visit.

To maximize the effectiveness of available funding, the Agency has implemented a new policy limiting domestic and overseas travel from Washington. Any travel from Washington, whether program or OE funded, by a group of more than three staff members, including direct- and non-direct-hire staff, must be approved in writing by the Chief of Staff.

OVERHEAD RATE

Question. What is the overhead rate at USAID (including program funds used to cover shortfalls in operating expenses)?

Answer. The Agency has done a significant amount of work on the use of Operating Expense (OE) and program funds for administrative expenses overseas. Based on detailed analyses, the Agency established an incremental overseas administrative rate of 7 percent for unbudgeted program increases. In other words, a $100 million increase in an appropriation, supplemental, or agency transfer for overseas programs would require $7 million in additional OE, or program funds for administrative purposes, for program management. The incremental rate reflects only variable costs.

The analyses also showed the total overseas administrative rate is 13 percent. This is the ratio of total administrative costs (both OE and program funded) to program dollars actually used to deliver assistance. The difference between these two rates is that the total rate includes both variable and fixed costs.

PROCUREMENT IMPROVEMENTS

Question. What plans does USAID have to improve its procurement process to make it more transparent and accessible to new organizations?

Answer. The Office of Acquisition and Assistance (OAA) is working on the following improvements in transparency and accessibility to new organizations.

Changes in internal USAID procurement practices

—Class waiver to permit limited competition at the discretion of the Grants Officer to organizations that have received less than $500,000 in USAID grant financing within the last five fiscal years.
—Education programs to sensitize Contracting Technical Officers (CTOs) to understand success of small businesses.
—Workshop by the Small Business Association to provide information on their programs.
—Small businesses' forum in Ronald Reagan Building for USAID CTOs to become familiar with the technical expertise and capabilities of small businesses.
—Quarterly outreach conferences conducted by the Office of Small and Disadvantaged Business Utilization.
—Improvement to the external website to make it user friendly.

Promotion of small businesses to large contractor firms

—Creation of a mentor protégé program to motivate and encourage large business prime contractor firms to provide mutually beneficial developmental assistance to small businesses.
—Establishment of small business targets within prime contracts with corresponding award for meeting goals.
—Set aside contracts within competitions for small businesses to compete amongst each other.

AFGHANISTAN: IMPACT OF ALTERNATIVE LIVELIHOODS PROGRAMS

Question. How successful are alternative development programs in Afghanistan, and what is your assessment of poppy eradication efforts to date?

Answer. Implementing an effective alternative development program in Afghanistan is challenging, as there continue to be serious security constraints. Nonetheless, programs are showing success. For example, in Nangarhar, 14,000 rural residents were employed on a daily basis, earning over $1.8 million in salaries. In Helmand, over 14,000 laborers were employed on a daily basis earning a total of over $4.27 million. These successes in employment generation are significant because lessons from other countries show that providing alternative legitimate sources of income is a key component of an effective counter narcotics strategy.

In addition, longer-term comprehensive provincial economic development programs, which are being formulated in collaboration with the local administrations in Nangarhar, Laghman, Helmand, Kandahar, and Badakshan provinces, show promise for successful alternative development. Implementation of these programs is just beginning and covers a wide range of activities including rural infrastructure,

agricultural development, agri-business and financial services. This is a long term effort and we are in the early stages.

Security impact on Alternative Livelihoods

—Faced with multiple security threats and the death of several staff, the contractor implementing USAID's Alternative Livelihoods program in Helmand temporarily suspended work on May 19. Next week, the contractor plans to start sending out armed convoys to pay Afghan farmers for work done before the stoppage. The contractor is putting in place an enhanced security package and plans to start work again by July 1.

—In addition, the contractor implementing the Alternative Livelihoods program in Nangarhar slowed down activities due to credible security threats.

—Suspension of both these programs resulted in job loss for over 26,000 Afghans employed through the Alternative Livelihoods program.

Eradication

—State/INL manages poppy eradication efforts and can respond to this question.

AFGHANISTAN: COORDINATION WITH AFGHAN GOVERNMENT

Question. How does USAID coordinate its alternative development programs with the Afghan Government?

Answer. USAID coordinates its alternative development program with all levels of the Afghan Government—national, provincial, district, and village. At the national level, USAID participates in a working group of several Afghan Government Ministries, donors and NGOs that is developing a framework that will be used by the Government to plan and manage development activities. At the provincial level, alternative development plans are being developed by USAID contractors in consultation with provincial authorities, who must approve them. Further, USAID plans to provide programs to build the management capacity of both provincial and district authorities. Finally, at the village level, local authorities are widely consulted by USAID for its current cash-for-work activities in order to ensure that all projects enjoy popular support and meet local needs.

AFGHANISTAN: VOICE FOR HUMANITY

Question. Does USAID intend to continue to support Voice for Humanity's civic education programs in Afghanistan at the $7 million level recommended in the Senate report accompanying the emergency supplemental bill?

Answer. Pursuant to the supplemental, USAID notified Congress in the Sec. 2104 financial report, of our intent to award $3 million in fiscal year 2005 supplemental funds to Voice for Humanity (VFH) in anticipation of upcoming Afghan parliamentary elections. The financial plan, which serves as notification, was fully cleared by Congress in mid-July, and we anticipate the award to VFH will be made shortly.

BURMA: COORDINATION OF SUPPORT

Question. How does USAID coordinate its programs to support Burmese refugees and "economic migrants" with the State Department?

Answer. USAID currently administers $4 million in fiscal year 2005 ESF funds to assist Burmese economic migrants and refugees along the Thai Burma border as directed by the fiscal year 2005 Appropriations Bill. The State Department's Bureau of Population, Refugees, and Migration (PRM) administers approximately $3.9 million in fiscal year 2005 ESF to assist Burmese refugees residing in camps in Thailand and for democracy and media activities. As such, extensive coordination between USAID and the State Department is critical to the success of the overall Burma program. The Regional Development Mission/Asia (RDM/A) and USAID/Washington have consistently engaged the State Department in all matters regarding Burma ESF funds programming and are committed to continuing this practice.

For example, the conceptual framework and strategic approach to the Request for Applications (RFA) for the Burma Border Program, was developed through extensive discussions between RDM/A and the Embassy in Bangkok, including PRM, on a regional level. The RFA concept was then briefed to the entire Embassy, including Ambassador Johnson, in October 2004 after a joint assessment visit by EAP, DRL and USAID. During the procurement process, USAID invited PRM to participate directly in the technical review and sent both a regional and a Washington representative to the TEC. Finally, USAID's plan to issue the RFA document was duly notified in the fiscal year 2006 Congressional Budget Submission which was cleared through State.

BURMA: COORDINATION WITH STATE

Question. Is it USAID's understanding that the State Department is the lead organization in these efforts?

Answer. USAID receives policy guidance from the State Department and U.S. Embassies abroad in the implementation of all ESF funding. Such is the case for the implementation of programs inside and along the Thai/Burma border. USAID coordinates closely and collaborates with the U.S. Embassy in Bangkok, the U.S. Embassy in Burma and the State Department. USAID has and will continue to diligently implement Burma programs in accordance with this guidance.

In the field, USAID's Regional Development Mission/Asia (RDM/A) has a team of six staff members who visit the programs on a regular basis. Functions performed include development, oversight, and implementation of individual activities. The PRM officer at the Embassy has expressed confidence and appreciation for the attention that USAID's RDM/A staff is able to devote to oversight of the Burma/Thai border programs.

In Washington, as you are aware, with the development of a joint Strategic Planning Framework, State and USAID have formed a Joint Policy Council (JPC) to ensure foreign policy goals and development assistance programs are fully aligned to achieve U.S. Government priorities. USAID's Asia Near East Bureau and corresponding State Department offices participate at the working level in the East Asia and Pacific Policy Group which oversees Burma program operations and reports to the JPC.

QUESTIONS SUBMITTED BY SENATOR ROBERT F. BENNETT

FOOD AID: PURCHASING AND DISRTIBUTION

Question. Under the administration's proposal to transfer $300 million from the Public Law 480 Title II account to the USAID International Disaster and Famine Assistance account, how would USAID purchase and distribute the commodities? Please provide an example of how you would operate the program.

Answer. The USAID Bureau for Democracy, Conflict and Humanitarian Assistance Office of Food for Peace would continue to have the responsibility to manage USAID food aid programs whether with Public Law 480 Title II commodities or IDFA funds. We plan to work through Private Voluntary Organizations and the World Food Program (WFP) to purchase, transport, store and distribute the food assistance. Many of these organizations have been procuring locally for a number of years and are, therefore, experienced in all aspects of conducting local purchases and supportive of the concept of purchasing food locally in appropriate circumstances.

Examples

Sudan

—In 2001, OFDA conducted a major local food purchase to meet needs in South Sudan. The budget of $1,000,000 programmed through Norwegian People's Aid was used to purchase 1,275 metric tons of food including sorghum and maize. The commodities were purchased in Western Equatoria and transported by land and air to food deficit areas in Bahr el Ghazel such as Gogrial County and Raja. At that time Raja had experienced fighting between the SPLA and GOS and this food was the first relief to reach the town.

Iraq

—For fiscal year 2003, USAID contributed $245 million to WFP to shore up the ongoing universal ration system in Iraq reaching 27 million people. USAID supported the regional procurement of 330,000 metric tons of mainly food items such as bulk wheat, wheat flour, rice, pulses, sugar, tea, vegetable oil, salt, and weaning cereals. Items were procured from places such as Turkey, Eastern Europe, Jordan, Pakistan, India, Bangladesh, Vietnam and the Gulf States and transported by both land and sea to reach the distribution points within Iraq.

FOOD AID: IMPROVING RESPONSIVENESS

Question. I understand the need to get commodities to the country as soon as possible in emergency situations. However, emergency food aid, by definition, is sent to countries that are not functioning because of some type of natural catastrophe, civil war, or both. In other words, getting commodities to the port may be the easy

part while getting them inland for distribution is the challenge. How would the administration's proposal improve on the program currently in place?

Answer. The Administration's proposal is aimed exactly at improving our current program by enabling limited local purchase of food commodities. Emergencies have increased in complexity and magnitude, and USAID has not always been able to respond in the most effective manner to these emergency food crises. This problem has been exacerbated by pipeline breaks in the Food for Peace program.

Given the widely differing conditions faced in the countries where we provide food aid, we must have the flexibility to respond quickly and appropriately. In many emergency situations, time is a critical factor and cash is necessary for making local purchases so that needs are met in time to prevent mortality rates exceeding those that are normal in the emergency-affected area. The authority to purchase food locally in limited circumstances would enable the Agency to respond more effectively to emergency situations.

VALUE-ADDED COMMODITIES

Question. The Congress has been very supportive of the use of U.S. value-added commodities in the Food for Peace program to assist vulnerable people in developing countries. In the farm bill we recognized the need to improve the quality of food aid products to meet the needs of recipients and to maintain the reputation of U.S. food products overseas. We have been hearing about ongoing problems with corn-soy-blend being rejected by recipients due to quality problems, which suggests that more needs to be done. How is USAID assisting USDA in addressing these issues?

Answer. Of the 2 to 3 million metric tons of U.S. food provided annually under Public Law 480 Title II, the majority of these products are high quality value added commodities. Whether wheat flour, corn soy blend, fortified cornmeal, bagged pulses, bagged rice, or fortified vegetable oil, these commodities have proven highly effective in restoring health, reducing suffering, and saving lives. By and large, these nutritious products are well received by our partners and end beneficiaries. Occasionally, complaints or concerns are raised by end beneficiaries or partners' staff. Each and every complaint is thoroughly investigated by USDA with our assistance. Specifically, our strong field presence helps ensure that the right information regarding the complaint is gathered by our implementing partners' staff so that USDA can investigate, in collaboration with USAID, the likely causes and possible solutions. If changes in the specifications for either commodities or packaging are warranted, we jointly and collaboratively work on making those necessary changes with USDA taking the lead on issuing the proper notices to the trade and invitations for award of quality product.

Regarding corn soy blend (CSB), there have been sporadic reports over the years of CSB being clumpy, stale, or even turning an undesirable color when cooked. Like all complaints relating to quality, we are constantly working with USDA on identifying the extent of such problems, so USDA can find the causes and the ways to correct and improve the quality of the product.

Question. The President's budget would reduce Food for Peace funding by $300 million and increase USAID's International Disaster and Famine Assistance (IDFA) by the same amount. Under this proposal, USAID would create a new, cash-based food aid program under foreign-grown and processed commodities could be purchased for shipment from foreign ports on foreign-flag vessels. Under Food for Peace, Title II of Public Law 480, USAID has been providing emergency food assistance for decades. Why is a new cash-based program needed now?

Answer. Emergencies have increased in complexity and magnitude and USAID has not always been able to respond in the most effective manner to these emergency food crises. This problem has been exacerbated by the limited resources available for programming, and consequently, FFP too often has been faced with pipeline breaks. Given the widely differing conditions faced in the countries where we provide food aid, we must have the flexibility to respond quickly and appropriately. In many emergency situations, time is a critical factor and cash is necessary for making local purchases so that needs are met in time to prevent mortality rates exceeding those that are normal in the emergency-affected area.

QUESTIONS SUBMITTED BY SENATOR PATRICK J. LEAHY

BUDGET

Question. Once again, the President proposes to cut core USAID programs. Even after taking into account the transfer of funds from the Development Assistance ac-

count to the Transition Initiatives account, there is still a cut of $70 million for Development Assistance.

How do you defend cuts in these Development Assistance (DA) Programs?

Answer. The President has requested a $49 million increase from his fiscal year 2005 DA request—$1.329 billion in fiscal year 2005 versus $1.378 billion in fiscal year 2006—for the combined DA and the expanded portion of the Transition Initiatives (TI) accounts. Under the President's budget, the DA fiscal year 2005 level should be compared with the combined DA-TI fiscal year 2006 request level.

PERCEIVED CUTS IN EXISTING FOREIGN AID PROGRAMS

Question. The President assured us that funding for the Millennium Challenge Corporation (MCC) would not result in cuts in existing foreign aid programs. Isn't that what is happening? Do you foresee cuts in USAID assistance to countries that qualify for MCC assistance?

Answer. USAID does not expect to reduce its funding levels in MCC compact countries. The purpose and rationale for MCC is to reward good performers and offer them additional incentive and assistance to move forward in meeting their development objectives. The MCC compact is meant to be additive to the USAID program.

USAID policy is to initiate a review of USAID programs during the annual budget review for countries that have signed an MCC compact. During the review, USAID will discuss how compacts may affect the country program management and resource request, including operating expenses and staff. This review does not necessarily trigger a change in funding for the MCC compact country. It would be a great disincentive to countries if it were perceived that signing an MCC compact implied giving up its USAID program. USAID is coordinating closely with MCC to ensure there is no duplication of effort.

INFECTIOUS DISEASE FUNDING

Question. The President's budget would cut USAID's programs to combat TB, malaria, and other infectious diseases from $200 million in fiscal year 2005 to $141 million in fiscal year 2006.

How can that possibly be a good idea?

Let me give you one example of why it makes no sense. There are six neglected diseases which cause severe illness and disfigurement among millions of people in tropical countries, particularly in Africa. They are not easy to pronounce and most Americans have never heard of most of them: Schistosomiasis; Lymphatic filariasis (otherwise known as Elephantiasis), Onchocerciasis (otherwise known as River Blindness); Intestinal parasites; Trachoma; and Leprosy.

To combat all of these diseases combined, USAID spends only a few million dollars, yet there are low cost and effective drugs for treating and in some cases preventing or even eliminating them.

Shouldn't we be increasing funding to combat infectious diseases, rather than cutting it? Would you support a special initiative in the 2007 budget to mount a serious effort to combat these neglected diseases?

Answer. There are many competing priorities for funding. Unfortunately, the budget request reflects a number of very difficult and painful choices. For infectious diseases, we have tried to achieve the best balance within our budget parameters between the critically important investments that need to be made in TB and malaria and the smaller, yet critically important funding for other diseases.

The budget request for fiscal year 2007 is still being developed. We will continue to place priority on infectious diseases that pose the greatest threat to lives and economies in developing countries. These include HIV/AIDS, malaria, TB, and avian influenza.

FUTURE BUDGET

Question. A recent New York Times article said that the World Bank, IMF, British Prime Minister Blair, and others have all called for a doubling of aid for the poorest countries. In fact, I'm told that just this week the European countries pledged to increase their contributions by a total of several tens of billions of dollars by the year 2010.

The United States has not taken a position. Our aid to rebuild Iraq, with a population of 25 million, is more than we give in foreign aid to 2 billion people living in poverty in the rest of the world.

The amount of aid we give to the world's poorest countries is still a miniscule percentage of our gross national income.

Do you see this changing, or are we in for more incremental increases in this budget, robbing Peter to pay Paul, and no change in the big picture?

Are you aware of any plans by the Administration to increase our foreign aid significantly in response to the U.N.'s millennium goals?

Answer. U.S. assistance to the poorest countries is increasing, and the President's fiscal year 2006 budget request for overall development assistance is almost double the fiscal year 2000 level. The new accounts for the Global HIV/AIDS Initiative and the Millennium Challenge Account are a significant part of this increase. The fiscal year 2006 budget request reflects the President's recognition that development assistance makes a vital contribution to enhancing U.S. national security. These two recently added accounts deal, in the first case, with the most serious global health issue of this millennium, and in the second case, with countries that rule justly, invest in their people, and encourage economic freedom.

From the beginning of this Administration, the President has made known his commitment to providing additional international assistance. To underline this commitment, the President has launched several new initiatives that support the goals of the U.N.'s Millennium Declaration.

USE OF LARGE CONTRACTORS

Question. I am concerned about USAID's increasing use of large contractors. Recently we heard about a $75 million contract to do democracy work in Indonesia with a contractor that as far as I know doesn't have a lot of expertise in this type of work or in that part of the world.

Yet qualified, small organizations that know the country and specialize in this work cannot compete unless they can find a way to subcontract, which isn't always possible or desirable. I hear these complaints all the time. Do you see this favoritism towards big contracts continuing? Are you doing anything to change it?

Should we set aside funds for grants and cooperative agreements to qualified small organizations so they don't get shut out?

Answer. With significantly reduced workforce levels in the acquisition and assistance workforce and a doubling of our operating budget, USAID along with other USG agencies have increased its use of task orders placed against indefinite quantity contracts (IQCs).

Under the Federal Acquisition Streamlining Act enacted by Congress in 1995, the ability of agencies to award multiple IQCs was expanded, and the procedure to provide a fair opportunity selection process for subsequent task order awards was further defined.

Realizing that large businesses have won a significant amount of USAID IQC awards, USAID has aggressively sought to compete new IQC awards that include set-aside awards for small busineses. To further address this matter, we require large businesses to subcontract a percentage of their work to small businesses. For example, in USAID's $1.8 billion solicitation for infrastructure support for Iraq, USAID included a provision that provided an incentive fee, which was available to firms that proposed expanded use of small businesses. We evaluate the efforts and commitment to execution of the subcontracting plans of prime contractors in consideration of future awards.

With regard to sets asides for grants and cooperative agreements, USAID's Office of Private Voluntary Cooperation has a program in place that reserves funding for designated organizations, which has been favorably viewed in the Private Voluntary Organization community.

OFFICE OF PRIVATE VOLUNTARY COOPERATION

Question. I have heard that USAID may be planning to sharply scale back funding for its Office of Private and Voluntary Cooperation, which helps to build the capacity of United States and local non-governmental organizations and cooperatives. Is this true?

Given the role these organizations play in implementing foreign aid programs, and the difficulty they have meeting USAID audit requirements and competing with large contractors, shouldn't we increase support for this Office?

Answer. Agency priorities are constantly being reviewed. Currently, increased focus is being placed on post-conflict stabilization with less emphasis on cross-sector NGO capacity-building programs. The Matching Grant Capacity Building Program, which supported PVO and local NGO organizational development for many years, issued its last request for applications in 2002, and the last request for applications for the NGO Sector Strengthening Program was issued in 2003.

Attention to organizational capacity building is certainly important, especially for local NGOs. Newer and more nascent organizations are offering orientation sessions

at the PVC Office's annual conferences on such matters as procurement, audits, and reporting.

OFFICE OF ENERGY AND INFORMATION TECHNOLOGY

Question. Each year, we recommend in the neighborhood of $15 million for the Office of Energy and Information Technology, and each year USAID funds it at about half that. Given the importance of energy, particularly renewable energy, in poor countries where the cost of fossil fuels is prohibitive, why aren't we doing more?

Answer. We are doing more in fiscal year 2005 to increase access to energy in developing countries. USAID reported to Congress in April that Agency-wide spending on energy in fiscal year 2005 is expected to exceed $100,000,000 to "promote and deploy energy conservation, energy efficiency, and renewable and clean energy technologies," and reach nearly $104,000,000. This amount includes energy funding for the Office of Energy and Technology and is more than $15,000,000 above what USAID originally estimated it would invest in energy in fiscal year 2005 ($83.5 million).

The vast majority of this funding is programmed by USAID missions in the field where the needs for and impact of USAID programs can be monitored most effectively. While the missions implement programs that increase access of developing countries to clean, efficient, renewable energy, the role of the Office of Energy and Information Technology, as a central technical office in Washington, is to support their design and implementation, and to provide technical leadership in how to best increase access of developing countries to clean efficient energy.

In fiscal year 2005, the Bureau for Economic Growth, Agriculture and Trade (EGAT) allotted $12 million to the Office of Energy and Information Technology, of which the largest apportionment by far, $8.5 million, is to provide such technical support to USAID field missions. When added to funds apportioned to EGAT's Climate Change team and funding in other bureaus for related energy activities, the central funding for energy totals $10.7 million, or about 10 percent of expected fiscal year 2005 energy spending worldwide.

Note.—The Office of Energy and Information Technology was renamed the Office of Infrastructure and Engineering on June 16, 2005 to reflect the addition of an engineering services team.

VALUE-ADDED COMMODITIES

Question. The Congress has been very supportive of the use of U.S. value-added commodities in the Food for Peace program to assist vulnerable people in developing countries. In the farm bill we recognized the need to improve the quality of food aid products to meet the needs of recipients and to maintain the reputation of U.S. food products overseas. We have been hearing about ongoing problems with corn-soy-blend being rejected by recipients due to quality problems, which suggests that more needs to be done. How is USAID assisting USDA in addressing these issues?

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QUESTION SUBMITTED BY SENATOR MARY L. LANDRIEU

ADOPTION AND ORPHANS AND VULNERABLE CHILDREN (OVC)

Question. I have read a copy of your recent publication, Children on the Brink, published in 2000, which details the looming international crisis caused by the increasing number of orphans. According to your own report, the number of orphans is expected to reach 40 to 50 million in just a few short years. As you point out, the largest contributing factor to this phenomena is AIDS. According to your figures, "In 1990, AIDS accounted for just 16.4 percent of parental deaths leading to orphaning. By 2010, that number will rise to 68.4 percent."

These numbers are shocking. But what is more shocking to me is that neither your plan for addressing the world's AIDS crisis, nor your plan for addressing children on the brink, include efforts to promote permanency through adoption. Can you explain to me why?

Answer. As part of President Bush's Emergency Plan for AIDS Relief, USAID supports a range of activities aimed at a holistic approach to building capacity and strengthening communities to meet the needs of orphans and vulnerable children affected by AIDS.

Following the death of a parent, our priority is to enable family members to provide the first line of protection for orphaned children. USAID seeks to strengthen family members' ability to provide vital care and support by: training caregivers, increasing access to education, promoting the use of time and labor-saving technologies, and providing training and support in income-generation and micro-finance. If a family member is not available, USAID works to mobilize and strengthen community-based responses in addition to working with governments to develop appropriate policies and essential services to care for these children.

While our primary objective is to serve children within their communities, we recognize that may not always be possible. USAID implements programs to create special protection and care measures for children, including broad-level advocacy for legal protection. Where possible, we work with host country governments to strengthen social safety nets, including local adoption, where supported and allowable in national policy.

USAID'S RECORD OF SUCCESS IN FRAGILE STATES

Question. You have already alluded to the major achievement in Afghanistan and Iraq by USAID. While your work in the Sudan is just beginning, areas which USAID does have a record of contribution are in Haiti and Ethiopia. Over the last several years the U.S. Government, through USAID, has been the largest donor of foreign assistance to Haiti ($810 million from 1993–2005). Also, USAID has contributed significant amounts of financial and human capital in an effort to address the severe shortages and issues related to the Ethiopian/Eritrean war.

What is your record of success in other "fragile states" around the world that aren't garnering the exposure of Iraq and Afghanistan?

Answer. Since its inception, USAID has worked in fragile states and has been a leader in humanitarian and post-conflict response. USAID has drawn from the lessons of this experience to innovate programmatically and speed the transition from relief to development. The overall level of assistance to fragile states has increased since the end of the cold war to almost one-fifth of USAID's overall resources in 2003, excluding Iraq.

USAID's "Fragile States Strategy," approved in January 2005, recognizes that work in fragile states is inherently risky due to the volatility and complexity of their environments. The strategy recognizes that while we have had many successes, there is room for improving the effectiveness of our response in fragile states. Building on that strategy, over the past 6 months we have already strengthened our ability to:

—monitor fragility across countries;
—better identify the sources and dynamics of fragility in given countries;
—focus our programs on the sources of fragility and on key factors—stability, security, reform and capacity building—for reducing fragility;
—apply appropriate technical responses to the needs of fragile states, including through collaborative efforts with other donors;
—respond rapidly by building a corps of crisis response officers and identifying possible options for streamlining internal procedures and key systems—personnel, procurement, planning, among them.

The examples that follow illustrate some of USAID's successes and ongoing challenges in responding to fragile and conflict situations over the past 15 years.

AFRICA

Liberia

In 2003, 14 years of conflict ended in Liberia with the signing of the Accra Comprehensive Peace Agreement. USAID's subsequent transitional program is a model of internal and inter-agency integration and collaboration, including participation from the Office of Foreign Disaster Assistance, the Office of Food for Peace, the Office of Transition Initiatives, and the Bureau for Africa, as well as the U.S. Departments of State, Defense, and Treasury. The primary goals of the current development program are to enhance good governance and the peace process; create economic and social conditions within communities that will facilitate both reintegration and the rehabilitation of infrastructure; increase formal and non-formal learning and counseling opportunities; and improve community health practices.

As of 2004, USAID's community revitalization and reintegration program created more than 500,000 days of direct employment for more than 10,000 ex-combatants and other unemployed Liberians, and over 1,500 kilometers of road were improved. In addition, thousands of children associated with the fighting forces have been reunited with their families. Under the program, displaced Liberians, refugees, ex-combatants, and other war-affected Liberians have received counseling and other services, including training, to help them reestablish communities and resume normal lives.

USAID has also supported initiatives to "get out the vote" and provided nationwide coverage of the election process and funded civil society organizations to increase their civic advocacy activities related to the elections, corruption, conflict mitigation, and human rights.

Mozambique

In 1984, the United States and Mozambique reopened diplomatic relations after years of tension generated by the government's embrace of the Soviet bloc. That same year, USAID initiated an emergency food assistance program to deal with a worsening refugee crisis caused by the ongoing civil war, and after 1997 engaged with the government's shift to market-oriented reforms. These were followed by an economic policy reform program, support for regional transportation initiatives and programs to support private sector agricultural marketing. These programs laid the foundation for new private economic activity even as the war continued. The worst draught of the century in 1991–1992 saw USAID respond with assistance on a phenomenal scale ($225 million in fiscal year 1992 alone), reaching over 2 million people and facilitating transportation to Mozambique's drought stricken, landlocked neighbors.

The second phase of USAID's engagement with Mozambique began with the signing of the Rome Peace Accord in October 1992, ending 16 years of civil war. USAID's program included support for the continuing emergency needs among the country's population of 5 million displaced and returnees; rural reintegration; infrastructure rehabilitation; demining; the demobilization of over 91,000 former RENAMO and Government soldiers; and elections. USAID financed the rehabilitation of over 1,000 kilometers of rural roads in the hardest hit areas of the country, thereby reviving long-dead market networks for agricultural production. USAID's programs in support of the politically charged October 1994 general elections—from civic education to training for political parties—were critical to sustaining the peace. While the election itself was a spectacular success and involved literally dozens of organizations, embassies, and Mozambican actors, USAID's innovative financing of the training of almost 30,000 Mozambican party poll monitors was one of the major reasons why the Mozambican people accepted the results.

Sudan

The signing of the Comprehensive Peace Agreement in January 2005 represented a major positive change for Sudan, which has been embroiled in 40 years of civil war, the longest civil war in Africa's history. USAID has been engaged in supporting the peace process since June 2003. Below are several examples of USAID's work towards helping the feuding sides come to the peace table.

With the late May 2004 signing of the Naivasha Protocols by the SPLM and the Government of Sudan (GoS), USAID helped provide a stable foundation for peace by disseminating accurate information on the Protocols throughout southern Sudan. USAID has funded two projects, the Sudan Radio Service (SRS) and the Southern Sudan Transition Initiative (SSTI), which spread news of the protocols and facilitated grass-roots participation in the peace process. The SRS broadcasts 6 hours of programming a day in nine different languages, reaching 1.5 million people or 20

percent of the total population of southern Sudan. The SRS provides timely updates and on-the-scene coverage of the peace process.

As the Sudan People's Liberation Movement (SPLM) transitions to the Government of South Sudan (GOSS) support is being provided on many levels to ensure healthy transition and strong systems are established. For instance, technical assistance and training was provided to the SPLM to develop a strategic framework for local governance in southern Sudan. Exposure visits were organized to Uganda and Ethiopia so that the team could examine regional models of decentralization. The final strategic framework developed by the team emphasizes good governance practices of accountability, transparency and efficiency. The model became the basis for a decentralized structure of governance for southern Sudan.

As conflicts were increasingly fueled by the inability of the judiciary to respond to outstanding cases and the poor mobility of the few judges in the south, USAID developed the concept of mobile courts' whereby judges travel to areas of potential conflict to try out overdue cases and implement verdicts. These activities have been very successful in resolving long-running conflicts.

Additionally, USAID supported the strengthening of the Women's Secretariat to carry out three regional Women's Conferences in Bahr el Ghazal, Upper Nile and Southern Blue Nile. At these large conferences, the SPLM women were able to identify leadership at the county level and elect representatives for the National Conference.

Burundi

Hutu and Tutsi violence has plagued this small country in the Great Lakes Region of Africa. Bordering on the Democratic Republic of Congo, Rwanda, and Tanzania, the ethnic conflict has resulted in cross-border fighting and massive displacement of local residents. The transitional government that was inaugurated in November 2001, subsequently signed a power-sharing agreement with the largest rebel faction in 2003 and set in place a provisional constitution in 2004. The USAID program, launched in March 2002, has been supporting the peace process in Burundi through community development, youth vocational training, and governance, and media programming.

In February 2004, USAID launched the Burundi Community-based Peace and Reconciliation Initiative (CPRI) to strengthen local capacities to benefit from and contribute to the peace process. CPRI is concentrating its work in two provinces where much of the worst destruction and displacement had occurred (Gitega and Ruyigi) through community-based reconciliation and participatory improvement projects, vocational skills training, small grants, and media. USAID trained and deployed 20 master trainers to each of 18 communes in Gitega and Ruyigi, who then conducted conflict mitigation training with three groups of civil society leaders in each commune and in five vocational skills training schools. Local government officials have said the training has helped them improve their leadership styles and relationships with their constituents. CPRI has also promoted reconciliation by bringing people together from returning and host populations to learn marketable skills and jointly participate in income-generating associations. Furthermore, the skills training reduces individuals' dependency on land-based income, and therefore reduces the risk of violent conflicts over scarce land.

USAID media partners, state-owned Burundi National Radio and Television (RTNB), and independent RSF Bonesha FM (Bonesha) obtained the equipment and support necessary to ensure uninterrupted, country-wide coverage and make weekly field trips out of Bujumbura to gather interviews and material for programming. These advances have significantly mitigated conflict in Burundi, given that the timely dissemination of accurate and balanced information is critical to assuaging fears and dampening incendiary rumors.

ASIA AND THE NEAR EAST

Nepal

The United States is supporting efforts to resolve the Maoist insurgency and address the underlying causes of poverty, inequality, and poor governance in Nepal, making an important contribution to fighting terrorism and diminishing the likelihood of a humanitarian crisis.

USAID's conflict program supports government and civil society efforts to address the conflict and promote community solidarity. The newly-formed Government of Nepal Peace Secretariat is poised to play a key role in reaching a peace settlement between the GON and the Maoists. USAID provides support to the Peace Secretariat in a number of areas including equipment and logistics, training in conflict resolution and negotiation techniques, and technical assistance on key policy and

programmatic issues. USAID is also supporting community mediation as a way to resolve disputes locally.

In fiscal year 2004, USAID's agricultural programs, working in rural areas including the conflict-affected West and Midwest regions, targeted more than 37,000 small farm and forest households. Household incomes increased by more than $100, and more than 200,000 persons benefited from the promotion of high-value agriculture and non-timber forest products. USAID programs help Nepal increase agricultural and other exports, and thus people's incomes, through activities such as export promotion assistance and technical assistance to the Department of Customs.

USAID works to strengthen community health programs, mitigating the impact of the conflict. Child mortality has declined by 40 percent in the last 10 years. The average number of children per family declined from 5 to 4.1 during the period. The Vitamin A supplementation program was implemented in all of Nepal's 75 districts and reached 98 percent of all eligible children.

Philippines

Conflict in the Philippines is jeopardizing the country's economic and social development and represents an important threat to regional security and USG vital interests. USAID's conflict mitigation assistance seeks to address the underlying causes of conflict, and assistance is focused on conflict-affected areas. Activities aim to reintegrate former combatants and their communities into the mainstream economy, improve economic infrastructure, accelerate economic and business development, increase access to microfinance services, improve governance, and expand availability of social services.

USAID helped 21,000 former combatants make the switch from guerilla fighting to farming seaweed, hybrid corn or rice. Three thousand of them have learned to produce higher value crops. With solar dryers, corn shellers and warehouses provided by USAID, they have increased their produce's selling price by as much as 35 percent. USAID has also helped strengthen the services of 115 banks and rural cooperatives, enabling them to provide loans and other services for small entrepreneurs profitably.

Sri Lanka

Sri Lanka has suffered through two decades of civil war between the Sinhalese majority and Tamil separatists, where tens of thousands have died in ethnic. Hope for peace came in February 2002 when the government and Liberation Tigers of Tamil Eelam formalized a cease-fire. A USAID program, launched in March 2003, has supported bringing all sides to the table to promote peace, especially in the regions most affected by ethnic and religious violence. USAID has also played an instrumental role in administering tsunami relief in Sri Lanka, and has incorporated ethnic peace-building into post-tsunami reconstruction efforts. Below are outlined activities that support the movement towards peace.

A USAID program in Sri Lanka has supported positive interaction among diverse groups of people; promoted participatory decision-making at the community level; and facilitated the flow of accurate information from multiple viewpoints. Working with local NGOs, informal community groups, media entities, and local government officials, USAID identifies and supports critical initiatives that move the country along the continuum from war to peace.

USAID's programs in Sri Lanka have succeeded in bringing diverse groups of people together. One such project in Trincomalee involved the provision of sanitation facilities for a resettled Sinhalese community. Moreover, an inter-ethnic dimension was added by purposely enriching the ethnic mix of the vendors who provided goods and services to the beneficiaries. First, the Muslim vendors supplying materials to the beneficiaries voluntarily offered to deliver materials directly to each house to help facilitate construction. In addition, Tamil laborers helped the Sinhalese families excavate the sites for the facilities. Finally, a local Sinhalese brick maker from whom USAID purchased building materials greeted USAID staff members who were visiting the site and said "thank you" in Tamil, using the traditional Tamil gesture of respect.

In addition, USAID has trained over 4,000 officials and key decision-makers and 13,000 people in peacebuilding/conflict resolution/mitigation skills. For example, USAID funded the Eastern Rehabilitation and Relief Organization to conduct three local youth exchange programs in Ampara district. Between program start-up in March 2003 and the end of February 2005, USAID approved 345 small grants worth approximately $8.58 million.

East Timor

After a majority of East Timorese voted for independence from Indonesia in U.N.-sponsored referendum in 1999, local Indonesian-supported militias wreaked havoc

on the small island country in a scorched-earth campaign that destroyed infrastructure and homes and forced 300,000 into West Timor. Rebuilding the small country of 1 million citizens was part of a USG objective to promote self-determination and deter tyranny in the Southeast Asian region. Below are several examples of activities supporting the rebuilding of devastated East Timor.

From the onset of independence, economic recovery was one of the most essential tasks facing East Timor. As a result, USAID quickly moved to foster economic opportunities and development. USAID invested $3.9 million through 469 small projects that directly engaged an estimated 63,000 people, putting cash directly back into the hands of individuals and relieving tensions evident in the population.

The USAID provided in-kind provision of construction materials and commodities needed for rehabilitation of community-identified facilities deemed to be important for economic recovery. For instance, grants were made to repair agro-processing facilities, schools, water services, and roads. USAID also supported income-generating activities such as cooperative activities based on the provision of hand-tractors, brick making, and coffee production as well as micro-finance initiatives.

USAID also supported macro-level interventions to support East Timor's economic recovery. For instance, technical assistance was provided to the Government of East Timor for meaningful participation in the Timor Sea Mineral Rights Negotiations, the settlement of East Timor's maritime and land boundaries, and technical inputs were provided for East Timorese officials in negotiations with the Phillips Petroleum Corporation on oil and gas exploration.

EUROPE AND EURASIA

Bosnia and Herzegovina

The overriding United States interest in Bosnia and Herzegovina (BiH) remains the conversion of this multi-ethnic country from a source of regional instability to a peaceful, viable state on the road to European integration. BiH continues to struggle with the structural challenges of the Dayton Peace Accords. USAID is addressing BiH's development challenges through a program targeted at economic transformation, democratic reform, and the reestablishment of multi-ethnic society.

USAID's work on developing private sector-led economic growth has significantly contributed to the development of a vibrant and sound banking sector and the generation of new jobs. The seven-year long activity is directly responsible for introducing modern banking into BiH, creating over 15,000 new jobs, and protecting 30,000 existing jobs. Further work by USAID in developing a stable macroeconomic environment included assisting the BiH Government in becoming fiscally responsible by improving transparency and accountability of budget formulation. A financial management information system is now operational in the State, both entities, and 6 of the 10 federation cantons.

USAID was instrumental in working on the execution of a judicial reform initiative resulting in a country-wide restructuring of the court system and a re-competition of every judicial and prosecutorial position. As a result of USAID's investments, objective local government performance measures have improved considerably, as has citizen perception of this level of government. USAID opened 22 "one-stop shops", which have reduced waiting times for local government services.

USAID's support in re-establishing a multi-ethnic society through facilitation of minority returns has exceeded its targets. The lives of more than 129,000 minority returnees were directly impacted through the provision of access to basic services, including electricity, water, schools, health centers, and roads/streets. Seven hundred and fifty families were directly affected, representing one-fifth of the total minority returns registered since 2000. Sustainability of those returns is ensured through provision of economic opportunities such as small grants and loans. More than 1,950 families received some type of economic incentives that contributed to income generation.

Macedonia

In February 2001 fighting broke out between the Macedonian military and a newly formed Albanian insurgent group. Six months later, an estimated 30,000 civilians were displaced, a once expanding economy was in decline, and ethnic tensions remained high. In August 2001, parties signed a peace agreement, ending hostilities and promising political reform. However, socioeconomic pressures for violence persisted, with unemployed youth part of the problem.

USAID created short-term employment opportunities for 2,000 of Macedonia's youth that focused on repairing public works in all 124 municipalities. The program increased economic security for returnees, the internally displaced, and others af-

fected by conflict. Ethnic tensions were reduced, and confidence in the peace process was raised.

Kosovo

As part of the ethnic violence that plagued the Balkans during the 1990s, Serbian militia groups forced massive expulsions of ethnic Albanians living in Kosovo in 1998–99. International outrage ensued, and NATO forces bombed Serbia and stationed NATO-led forces in Kosovo. A key objective of the USAID program in Kosovo was to get Serbian, Albanian, and other ethnic citizens to work together through their communities in building more peaceful and compatible within the ethnically diverse society.

USAID officers were in the first group of non-NATO officials to enter Kosovo in late June 1999. Building on contacts developed before the bombing and during the program-in-exile, USAID quickly began a program focused on rehabilitation and democracy-building. The initiative helped citizens understand and responsibly exercise their political rights, encouraged and supported the development of moderate and democratic local leadership, and enabled local communities to get the resources they need to rebuild according to their priorities.

USAID supported the formation of over 200 Community Improvement Councils (CICs) composed of 12 to 15 people each who reflect the political, social, and intellectual diversity of the local population. The role of each CIC is to identify the community's priority reconstruction needs, such as repairing a school or a road, and secure a local contribution—usually in the form of labor. USAID then provides the material resources. The experience of working together in a participatory, democratic, and constructive manner was as important a benefit as the humanitarian impact of the project itself.

In fact, the CICs emerged as de facto representatives of the diverse interests in their communities, providing other donors and international agencies with information on real local needs and priorities as defined by Kosovars themselves. USAID leveraged over $4 million from other donors and over $2 million in local community contributions.

USAID also supported the creation of an independent media and a strong civil society. Media projects included rebuilding infrastructure for radio and television broadcasts and supporting the first independent Albanian-language radio station in Kosovo, as well as community radio and newspaper outlets across Kosovo. Civil society groups, which have mobilized around issues related to human rights, women, and youth activism, have received crucial start-up assistance from USAID as well.

LATIN AMERICA AND THE CARIBBEAN

Colombia

Since USAID initiated support for Plan Colombia in 2000, significant advances have been made in providing assistance to the internally displaced, expanding state presence, strengthening Colombian democracy, and creating licit economic opportunities.

USAID has provided support for more than 1.4 million persons that have been displaced by violence or forced to flee their homes after receiving threats from guerillas, paramilitary groups or narco-traffickers. Most of the assistance is for physical and mental health services, shelter, water and sanitation, education, employment creation and community strengthening. USAID provides support for the rehabilitation of former child combatants. More than 1,375 children have entered the reception center thus far where they have received treatment, education and shelter. USAID has also helped more than 3,293 human rights workers, labor activists, journalists and others who were threatened by armed groups.

Under the peace program, USAID has strengthened the capacity of the High Commissioner for Peace's Office to engage in discussions and negotiations with illegally armed groups. USAID supported development of an Early Warning System that alerts the Colombian military, national police and other state institutions when situations occur that could lead to massacres or forced displacements. In fiscal year 2004, more than 75 percent of the alerts issued were addressed correctly by pertinent Government of Colombia entities.

USAID has increased access to justice for thousands of low income and marginalized Colombians by supporting national coverage of the Justice Houses Program. A total of 37 Justice Houses have been established, handling some 2.7 million cases. USAID has also established 35 oral trial courtrooms and strengthened the capabilities of public defenders. The local governance program has promoted effective public administration by supporting more than 210 social infrastructure projects;

creating 221 citizen oversight committees, and assisting 38 local governments with improvements of public services.

USAID is working with farmers and townships that want to eradicate drug crops in exchange for support for construction of small infrastructure projects, food production, or cultivation and marketing of legal crops. During fiscal year 2004, USAID helped establish approximately 16,508 hectares of licit crops and completed 182 infrastructure projects in 13 municipalities in coca and poppy growing areas. The program has benefited over 12,845 families and will help reduce coca cultivation in Colombia and stem the flow of illicit drugs to the United States.

El Salvador

The Government of El Salvador and the representatives of the Farabundo Marti National Liberation Front signed comprehensive peace accords in January 1992, ending 12 years of civil war that caused enormous loss of life, destroyed a significant portion of the country's infrastructure, and halted productive activity in and substantially depopulated a major portion of the country's land area.

USAID helped sow the seeds of future growth by reconstructing damaged infrastructure, financing land and titling for ex-combatants and civilian refugees, providing training and credit, increasing civic participation in the identification of priority infrastructure needs, broadening the role of NGOs in service delivery to rural communities, and attending to the special medical needs of the war disabled.

USAID was engaged in a wide range of other programs such as promoting macroeconomic reforms; strengthening municipal governments; and reforming the judicial system, electoral processes, and institutions that played an important and complementary role in supporting the reconstruction process. This support is broadly credited with playing a critical role in assisting the successful transition from war to peace.

IDFA ACCOUNT INCREASE

Question. The President's budget would reduce Food for Peace funding by $300 million and increase USAID's International Disaster and Famine Assistance (IDFA) by the same amount. Under this proposal, USAID would create a new, cash-based food aid program under foreign-grown and processed commodities could be purchased for shipment from foreign ports on foreign-flag vessels. Under Food for Peace, Title II of Public Law 480, USAID has been providing emergency food assistance for decades. Why is a new cash-based program needed now?

Answer. Emergencies have increased in complexity and magnitude and USAID has not always been able to respond in the most effective manner to these emergency food crises. FFP too often has been faced with pipeline breaks. Given the widely differing conditions faced in the countries where we provide food aid, we must have the flexibility to respond quickly and appropriately. In many emergency situations, time is a critical factor and cash is necessary for making local purchases so that needs are met in time to prevent mortality rates exceeding those that are normal in the emergency-affected area.

U.S. RECORD ON FOREIGN ASSISTANCE

Question. This week the European Union (EU) announced that it will double its aid to developing countries in the next 5 years. Some expressed frustration at the incremental movement toward bigger aid budgets that could have a significant impact to the world's poorest countries. While the United States is still the largest donor in terms of dollars spent on foreign assistance to poorer countries, we are often ranked last when aid transfers by developed country donors are calculated by percent of gross national product (GNP). Recently Britain disclosed details of a "Marshall Plan" for the developing world. British Chancellor of the Exchequer, Gordon Brown, said, "we must rise to the challenge and we accept that we will be judged by what we achieve."

In light of these announcements and ambitions, are we doing all that we possibly can to assist those with the least resources?

Answer. In the overall view, the President's fiscal year 2006 request for development assistance is almost double what the level was 5 years ago and has risen faster than at any time since the Marshall Plan. The fiscal year 2006 budget request reflects the President's recognition that development assistance makes a vital contribution to enhancing U.S. national security. To underline his commitment to increase development assistance, the President has launched several new initiatives for the poorest countries and has also established two new accounts for the Global HIV/AIDS Initiative and the Millennium Challenge Account. These recently established accounts deal, in the first case, with the most serious global health issue of

this millennium, and in the second case, provide dramatically increased assistance to countries that rule justly, invest in their people, and encourage economic freedom.

FRAGILE STATES POLICY AND CHILDREN

Question. In reading USAID's *Fragile States Strategy* document, I understand that the term "fragile states" refers "generally to a broad range of failing, failed, and recovering states." My concern is that the "Strategic Priorities" laid out in the *Fragile States* document only mentions the world children twice in the entire document, and this informs my question.

Are children being given the level of attention and commitment they deserve in USAID's "fragile states" policy?

Answer. Children are certainly victims of fragility, and deserve and receive USAID's help. USAID helps children through multiple programs targeted at strengthening families and helping children to live healthier, productive lives. These programs are implemented in both "fragile states" and those embarking on a path toward transformational development.

The *Fragile States Strategy* you cite is focused on the root causes of fragility—factors such as conflict, political instability, and weak governance. For this reason, you find limited mention of specific groups, including children, and our programs addressing their needs. But programs will clearly relate to children and youth: school reconstruction, textbooks and supplies, and teacher training; job creation focused on youth unemployment; and, demobilizing and reintegrating ex-child soldiers are three examples. Thus, implementing the strategy includes investments in problems of youth and children, primarily aimed at stability and security.

While the strategy calls for increased program focus on the sources of fragility, USAID will continue to respond the effects of fragility. This includes humanitarian assistance, protection of human rights and abuse prevention, which will target children as a primary group. Moreover, most fragile states are characterized by high under-five and infant mortality rates. We will continue to provide immediate life-saving services in fragile states to reduce mortality as well as foster healthy and productive families. However, this alone will be insufficient. To have a lasting impact, it is imperative that we address the political and social factors that continue to make these children (and their families) vulnerable.

MEETING THE 10 PERCENT OVC EARMARK IN FISCAL YEAR 2006

Question. The Global AIDS legislation directs that 10 percent of all Global AIDS funding be spent in behalf of orphans and vulnerable children. This is a seemingly hard requirement to achieve in fiscal year 2006 given that 52 percent of funding has been cut from the "Displaced Children's and Orphan's Fund."

How much is being spent to assist displaced HIV/AIDS orphans and vulnerable children and how will USAID meet the fiscal year 2006 requirement in the Global AIDS legislation?

Answer. The Office of the U.S. Global AIDS Coordinator informs us that as of June 2005, total planned allocations of fiscal year 2005 Emergency Plan funds for the care and support of orphans and vulnerable children was approximately $82.5 million, or 7 percent, of Emergency Plan funding in the 15 focus countries.

USAID, as a primary implementer of President Bush's Emergency Plan for AIDS Relief, is a part of the interagency orphans and vulnerable children (OVC) working group that assists the individual country programs to identify barriers and help meet the 10 percent requirement. Through this interagency process, we are confident that the fiscal year 2006 budget will meet the 10 percent funding requirement for the care and support of orphans and vulnerable children.

VULNERABLE CHILDREN

Question. The Vulnerable Children section of the Strategic Pillar category on Global Health has been cut by 63 percent. This is a drastic cut in light of the needs of children. Children are our bridge to the next generation and we must address the issues that vulnerable children suffer from.

What is the rationale behind such a severe funding cut for these children?

Answer. Saving the lives of children is of prime importance, and USAID is committed to improving the health of children. USAID supports various categories of activities in this area, including vulnerable children and programs to address the primary causes of most under-five mortality. We have had to make difficult choices in our budget request, however. Overall, we have tried to protect funding for HIV/AIDS and Child Survival and maternal health programs that support life-saving interventions with the most impact on the main killers of children.

Within the Vulnerable Children funding category, the request reflects funding only for the Displaced Children's and Orphans Fund. This is an extremely important program that has positively changed the lives of millions of marginalized children over the years. Because of our budget constraints, we were not able to request funding for other activities and specifically for vulnerable children, typically included in the appropriations. The difficult choice we made was between those activities and our core child survival programs, and, for the reason stated above, we determined that core child survival activities were a higher priority.

CONCLUSION OF HEARINGS

Senator BENNETT. Thank you all very much. That concludes our hearings.

[Whereupon, at 4:03 p.m., Thursday, May 26, the hearings were concluded, and the subcommittee was recessed, to reconvene subject to the call of the Chair.]

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