

**STATE, FOREIGN OPERATIONS, AND RELATED  
PROGRAMS APPROPRIATIONS FOR FISCAL  
YEAR 2008**

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**WEDNESDAY, MARCH 28, 2007**

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

The subcommittee met at 10:03 a.m., in room SD-138, Dirksen Senate Office Building, Hon. Patrick J. Leahy (chairman) presiding.

Present: Senators Leahy, Bond, and Gregg.

UNITED STATES AGENCY FOR INTERNATIONAL  
DEVELOPMENT

**STATEMENT OF HON. RANDALL L. TOBIAS, ADMINISTRATOR**

OPENING STATEMENT OF SENATOR PATRICK J. LEAHY

Senator LEAHY. Good morning. Ambassador Tobias, I'm glad you're here. This is a very busy day. We considered postponing this hearing because the votes are set at 11 o'clock, but we don't have hearing dates available in April, we can't be sure what dates are available in May, so I'm going to put my opening statement in the record.

I would hope that you would summarize yours so we can go to questions.

[The statement follows:]

PREPARED STATEMENT OF SENATOR PATRICK J. LEAHY

I want to begin by welcoming Senator Gregg who is the new ranking member of this subcommittee. Senator Gregg and I come from States that share a border and I look forward to working with him in the same bipartisan way that his predecessor, Senator McConnell, and I worked together for so many years.

I think we both agree that the United States does not need a Democratic or Republican foreign policy, we need an American foreign policy, and that is what I intend to strive for.

Ambassador Tobias, we appreciate you being here. We also appreciate your past leadership as the Global AIDS Coordinator. You got that program off to a good start.

The jobs of USAID Administrator and Director of Foreign Assistance are quite different from either the CEO of a private corporation or the AIDS Coordinator, as I'm sure you have discovered.

Today we want to focus on the President's fiscal year 2008 budget request for USAID, and on your proposals for reforming our foreign aid programs.

I think most people would agree that there is a lot of room for improvement in our foreign aid budget, personnel and procurement policies, and programs. But the issue is how you do it, and what decision-making authority is retained by USAID.

On the positive side, you have developed a more coherent process that will enable your office to more accurately show where and how funds are spent. That will help and we welcome it.

We are also assured by your office that you consulted extensively during this process, although that is not what we have heard from some of those whose views we would have wanted to see reflected, including within USAID itself.

While the budget process may be more coherent and transparent, I am mystified by many of the results.

A glance at your budget request yields as many questions as answers. A country like Colombia, that has received roughly \$565 million in each of the past 5 years, gets the same amount for the same purposes in fiscal year 2008, even though we know that some things have not worked and that conditions in Colombia have changed.

In Nepal, a country where years of fighting has cost thousands of lives, there is a chance to end the Maoist insurgency and replace feudalism with democracy. Yet you propose to cut our assistance.

The Democratic Republic of the Congo, a huge country with every imaginable problem, has emerged from conflict and completed its first election in 40 years. It holds the key to the future of central Africa, yet you propose to cut our assistance.

Vietnam, a country of 80 million people, seeks closer ties with the United States, and there are so many opportunities for working together. Yet, with the exception of HIV/AIDS, you propose to cut our assistance.

The Congress has worked hard to increase funding for global environment programs, particularly to protect biodiversity in the Amazon and central Africa where the forests are being destroyed. Yet you propose to slash funding for those programs.

Last year, you testified before this subcommittee that, and I am quoting you, "our intent is not to have a USAID budget or a State Department budget, but a Foreign Assistance budget that will make all of it more coherent in a way that all of us can better understand."

I have mentioned just a few of many examples. I have to ask what is the purpose of this stated "coherence" if it produces illogical outcomes? What was the strategic thinking behind these decisions? How were the views of USAID program officers in the field and their implementing partners reflected? How were the Congress' views reflected?

We know you have to make hard choices. We all face budget constraints. But Pakistan, Afghanistan, Iraq, and Indonesia are not the only countries where the United States has important economic and security interests. You need to make sense of this for us if we are going to be able to work together.

Senator LEAHY. I do want to begin by welcoming Senator Gregg, who is the new ranking member of this subcommittee. Senator Gregg and I share a border, a beautiful border along the Connecticut River. We've known each other for a long time and, of course, he had a distinguished career as Governor before, and I feel privileged that he's here.

As you know, Senator McConnell and I worked together for years—sometimes he'd be chairman, sometimes I'd be chairman, but I think the hallmark of this subcommittee during that time was that we would try to get the foreign aid bill passed in bipartisan fashion. As a result, we've been able to pass the bill in about a tenth the amount of the time that it used to take. Senator Gregg, would you like to say anything before we begin.

Senator GREGG. Well, let me put my statement on the record and say how much I'm looking forward to working with you.

We had a great relationship over the years on a lot of issues and it's going to be—it's an interesting committee with tremendously important jurisdiction, and I'm excited to have the chance to be the ranking member on it, and to follow in the footsteps of who we've mentioned. It's such a such a great job and certainly a team effort here to try to make sure that our foreign accounts are strongly supported.

[The statement follows:]

## PREPARED STATEMENT OF SENATOR JUDD GREGG

Welcome, Ambassador Tobias. You have the distinction of being the first witness to appear before this subcommittee in the 110th Congress.

We appreciate the opportunity to discuss the \$3.8 billion, fiscal year 2008 budget request for the operations and activities of the United States Agency for International Development (USAID), and to learn more about your efforts to reform foreign assistance. Both are difficult and challenging tasks, and I know many of us are curious how you divide your time between your jobs of USAID Administrator and the Director of Foreign Assistance.

When it comes to foreign aid reform, what is past is prologue. Beginning with the Foreign Assistance Act of 1961 (which provided USAID its mandate), numerous Administrations—Republican and Democrat—attempted to improve the efficiency and effectiveness of foreign assistance. Since 1961, the goals and objectives of U.S. aid have changed due to the shifting priorities of Administrations and Congresses which seek to keep apace with an ever-changing world.

The Government Accountability Office notes in reports dating from the late 1970s that investments in large infrastructure projects overseas (intending, in part, to blunt the influence of the Soviet Union) were redirected by Congress to smaller programs targeting agriculture, nutrition, education, healthcare, and family planning for the poor. During the immediate post-Cold War period, U.S. aid supported emerging democracies throughout the former Soviet Union and significant emphasis was placed on activities targeted toward economic growth and development.

Following the September 11, 2001 terrorist attacks, foreign assistance serves a renewed purpose to improve the lives and livelihoods of people who might be open to the hateful and violent ideology of extremists. I expect that everyone who sits on this Subcommittee would agree that foreign aid, if properly managed, can be an effective bulwark against terrorism.

Afghanistan serves as example of the success that can be accomplished through the generosity of the American people. It is interesting to note that U.S. assistance supports large infrastructure projects throughout that country, smaller programs intending to improve the lives of the most destitute Afghans, and economic growth and development programs. We know from the pending supplemental request for Afghanistan that reconstruction is a long-term endeavor and that more needs to be done by all international donors.

Your immediate challenge as Director of Foreign Assistance appears two-fold: first, to convince often entrenched bureaucracies that change is necessary, and second, to work hand-in-hand with Congress to enact proposed reforms, including the fiscal year 2008 budget request. I commend you on the improved Congressional Budget Justification materials, and I look forward to learning more about the process by which the fiscal year 2008 State and foreign operations budget request was crafted.

Senator LEAHY. Thank you, Ambassador, would you—

Ambassador TOBIAS. Mr. Chairman, Thank you very much for the opportunity. I think that I will follow your example and ask that my opening statement be submitted for the record.

[The statement follows:]

## PREPARED STATEMENT OF HON. RANDALL L. TOBIAS

Thank you, Mr. Chairman and Ranking Member Gregg, for the opportunity to testify before the subcommittee today on the fiscal year 2008 budget for foreign assistance.

When I came before you last year, I outlined a series of challenges I sought to undertake as the first ever Director of U.S. Foreign Assistance. Now, after nearly a year in this role, I appreciate the opportunity to share with you what we have achieved, and what I hope we can achieve together through the fiscal year 2008 budget process.

## RESPONSIVENESS TO THIS SUBCOMMITTEE

I want to begin by thanking this subcommittee for its work and for the support you provided before these reforms even got off the ground. Before discussing the budget, I would like to note our efforts to address your concerns raised in report language. Emphasized in fiscal year 2006 report language, and then re-emphasized in fiscal year 2007 report language, this subcommittee directed that Congressional Budget Justification materials improve in both the timing of their delivery and the

quality of information put forth. I am happy to say that this year, we delivered material to support the Congressional Budget Justification on February 14th, nearly a month before the March deadline put into report language. Further, we included standardized budget tables per country to allow the public to meaningfully compare request levels per country. In addition, we have addressed the coordination concerns between USAID and State programs raised in fiscal year 2007 report language by bringing State and USAID staff and senior managers to the same table to discuss budget priorities for fiscal year 2008.

We have done far more than make process changes, however. With the new budget package comes a carefully considered set of budget priorities that, combined, will help advance our National Security Strategy. I realize that not all of the changes that we are proposing will sit entirely comfortably with each Member of this distinguished subcommittee. To the contrary, it is more likely that at least one of the changes we propose will raise concerns with you about our prioritization. I look forward to engaging with you to discuss your concerns. Part of my drive, to lay out the budget transparently in a way that can be compared across countries, is so that we can have a discussion, using common understandings and terminology, about just where our foreign assistance dollars are going and what we are trying to accomplish by allocating them as we have.

We have taken big steps to increase transparency, accountability, and coherence of strategy in the allocation of our resources, including the creation of one office, under my direction, to oversee all USAID and State foreign assistance resources. I hope to make your oversight responsibility less burdensome by laying our principles and priorities clearly on the table, and providing tools by which we can consistently assess results.

Specifically, we applied six principles to the allocation of the fiscal year 2008 budget, in response to concerns raised by Congress and the President himself about the lack of coordination and coherence in our planning, allocation and monitoring of foreign assistance funds. I would like to take a moment to elaborate on them now.

#### PRINCIPLES

The fiscal year 2008 State and USAID foreign assistance request is \$20.3 billion, a \$2.2 billion or 12 percent increase over fiscal year 2006 enacted levels, the last year for which we have completed allocations. Given current budget pressures and a shared commitment with Congress for deficit control, this increase reflects the importance this Administration places on foreign assistance, not just as a moral obligation to alleviate suffering, but as a foundation of our national security strategy.

As a result of foreign assistance reform, this year's request reflects a different approach to building the budget from previous years' methods, and I would like to take a moment now to explain the six principles that governed our prioritization.

*First, we integrated planning based on the totality of U.S. Government resources and the commitment to a shared goal.*—Consistent with your request that we improve coherence and coordination of State and USAID foreign assistance, for the first time in our Nation's history, all \$20.3 billion of U.S. foreign assistance under the authority of the Department of State and USAID, as well as resources provided by the Millennium Challenge Corporation, are being applied to the achievement of a single overarching goal—transformational diplomacy. In response to input received from many of you, our colleagues in the international development community, and our host government counterparts, that goal now reads: To help build and sustain democratic, well-governed states that respond to the needs of their people, reduce widespread poverty and conduct themselves responsibly in the international system.

Over 100 interagency teams, organized by country, were tasked with ensuring that all State and USAID resources were coordinated for maximum efficiency and impact, and targeted to the achievement of shared objectives. Teams considered investments from the President's Emergency Plan for AIDS Relief and the Millennium Challenge Account (MCC) when allocating resources. As a result, in countries that will receive MCC Compact funds in 2008, you will see funds allocated to programs that will support the success of these investments, such as an increase in trade and investment funds and private sector competitiveness in Honduras, and in Ghana, a shift in funding to enhance the capacity of local government, who will be responsible for implementing the MCC Compact's programs.

*Second, we focused on country progress.*—The ultimate goal of transformational diplomacy is to support recipient country efforts to move from a relationship defined by dependence on traditional foreign assistance to one defined by full sustaining partnership status. Now, I will spend a bit of time on this principle, because, while

it seems like this is what we have been doing all along, this year's approach was quite different.

In past budget years, funds were allocated first by account, then by sector, and lastly, by country. Much of the budget was built by determining so much for family planning, so much for basic education, so much for security assistance, and so on. Funding from within these sector levels was then parceled out to countries on the basis of multiple sector-based strategies—one for family planning, etc. You get the picture.

It is not that these sectors are not critical to a country's development strategy—clearly they are, and we continue to evaluate resources by sector, ensure appropriate targeting, and incorporate best practices. It's a matter of what should drive the country's development program—country-prioritized need or a set global amount for a sector. We must tailor programs to the unique needs of each recipient country in reaching the transformational diplomacy goal.

This year, we led with country progress. We brought together teams of experts from USAID and State, in consultation with their field counterparts, and we gave them an overall planning number for each country—not by account, not by sector, just a total.

We gave them data on the status of country progress against independent indicators assessing poverty, human capacity, life expectancy, governance, and barriers to economic growth. We gave them the new Strategic Framework for U.S. Foreign Assistance, which outlines interventions according to countries' common country traits. We then asked them to allocate that budget to the areas that would best advance individual country progress, based on the opportunities and challenges that exist on the ground, and in turn, advance U.S. policy. The result is an fiscal year 2008 budget focused on country progress.

*Third, consistent with concerns raised by this subcommittee to align our foreign assistance resources with our National Security Strategy, we invested in states critical to long-term regional stability and prosperity.*—As many of you are aware, the new Strategic Framework for Foreign Assistance categorizes each country receiving U.S. foreign assistance based on common traits and places them on a trajectory to measure their development progress against standardized indicators. The country categories are largely explained by their category name: Rebuilding, Developing, Transforming, Sustaining Partnership and Restrictive.

In the fiscal year 2008 budget request, you will find that 51 percent of Department of State and USAID program assistance resources are concentrated in Rebuilding and Developing countries. These are the countries that are farthest away from sustaining partnership status, as measured by instability, poverty, human capacity, life expectancy, governance, and barriers to economic growth—all critical barriers to regional stability and success in the War on Terror.

We have seen the risks that “ungoverned spaces” can pose to our national security and to their regional neighbors; we are also very aware of the costs of these “ungoverned spaces” to their own citizens. States like Somalia, Afghanistan, Sudan, and the Democratic Republic of the Congo are among the poorest in the world. Their citizens are among the least able to access basic needs—including security.

At the same time, to truly transform the development landscape, we need to focus on Developing States such as Nigeria, Ukraine, Georgia, Pakistan, Jordan, and Indonesia—states that are on the cusp of transitioning to economic, political and social self-sustenance, and that, with continuing progress, can serve as anchors for regional stability and prosperity. We need to work with them to help them strengthen their institutions to make their progress permanent.

*Fourth, we focused on demand-driven interventions that are critical levers for sustainable progress and transformation.*—Foreign assistance in the past has run the risk of being a mile wide and an inch deep. With a thousand agendas embedded in our foreign assistance programs, our impact was diluted and diffuse. It is important to note, as I often do, that there is very little that we do in our development portfolio that is bad. Someone, some community, is benefiting from the services we are providing and the interventions we are supporting.

But that is not the point. The real question is, are we achieving sustainable impact? Are we, in fact, enabling transformation? Are we giving people what they need to sustain further progress on their own?

Based on the new country-driven process, we have prioritized resources to the areas that we believe will promote and sustain long-term country progress. Funding is increased to programs targeted to improving governance and democratic participation, programs mitigating diseases that threaten the human and economic capacity of countries to progress on their own, programs that expand access to and improve the quality of education, and programs that enhance economic opportunity

and the skills needed to participate in the global economy. These resource allocations reflect the wisdom of our interagency teams of country experts.

I often think about our past practice of allocating funds as being similar to teaching an individual a little French, a little German, and a little Spanish. If we keep doing it, that person will very slowly be able to speak a little more French, a little more German, and a little more Spanish. But if we instead took the resources spent on each language and put them toward one language, that person would be able to communicate fluently, and would then be better able to learn the other languages on his or her own.

Similarly, when we split up our resources into too many sectors in one country, progress will be slow and often imperceptible. If we instead focus our resources, we enhance the ability of countries to gain enough strength and stability in areas critical to sustaining further progress on their own.

Focusing resources in this way has its tradeoffs. When one area goes up, unless there is an abundance of new resources, other areas go down. While the fiscal year 2008 budget increased by \$2.2 billion over fiscal year 2006 enacted levels, we squeezed far more in the budget. The budget includes important increases for HIV/AIDS, malaria, and humanitarian assistance; and for countries in which there are new requirements and opportunities such as in Kosovo, Iran, and Cuba. The fiscal year 2008 budget also reflects efforts to continue to shift program funding, where requirements are predictable, from supplemental requests for Iraq, Afghanistan, Sudan and avian influenza into the base budget.

Within the country-level requests, you will also find quite a bit of smaller, yet equally important, shifts. Country teams prioritized interventions that would help a country's institutions to build the capacity to take on challenges in the longer term. So you will see increases in resources for conflict mitigation, justice systems, executive branch institution-building, anti-corruption, basic education, energy services, agriculture policy, workforce development, and clean environment. But with these increases, certain sectors were not prioritized by the country teams to the degree that they have been funded in the past. These areas include sectors that we realize are important to members of Congress, including family planning, maternal and child health, and biodiversity. We know that putting decreases forward in these areas requires a robust justification of our reasons, and I hope we will have a substantive dialogue about why our teams made the choices that they did.

At the outset of the reform process, some members of this committee expressed concern that greater alignment between State and USAID foreign assistance resources would result in a short-shrifting of long-term development goals. I am pleased to note that in fact the opposite occurred. In fiscal year 2008, resources for the three objectives targeted to achieving long-term development progress—Governing Justly and Democratically, Investing in People, and Economic Growth—increased by 19 percent over fiscal year 2006 levels for these Objectives. The fiscal year 2008 request includes the largest request this Administration has ever made for basic education, and when projected fiscal year 2008 MCC disbursements are considered, investments in these objectives increased by 29 percent over fiscal year 2006.

*Fifth, we allocated funds intended for country programs to country-level budgets.*—In the past, ambassadors and mission directors often did not have a full picture of the resources being implemented in their countries, because some activities were planned and implemented from Washington. Consequently, they did not exercise full oversight over these programs, and doing so from Washington was costly and time-consuming.

To empower our mission directors, ambassadors, and country teams, who are our people in the field with the best knowledge of country circumstances, the reform process maximized resources implemented at the country level into country-level budgets. Resources within global or regional budgets that had been planned for specific countries were accordingly shifted to those countries' budgets and planned together with other country-based support. As a result, such resources can be implemented consistent with country strategies and benefiting from expertise on the ground.

Recognizing that not all foreign assistance is most effectively implemented on a country basis, and that issues that transcend a single country's borders are best addressed as part of a global or regional strategy, activities such as support to regional institutions, multilateral organizations, or cross-cutting research remain funded within global and regional budgets. Humanitarian assistance, which is allocated on the basis of emerging crises, also remains funded within global budgets.

*Finally, we matched accounts with country circumstances and the priorities the country categories are designed to address.*—Many of you may be used to hearing

about the budget less in terms of countries and more in terms of accounts. There is a specific reason I have not mentioned accounts until now.

Account levels did not drive our allocation process. Country progress did. After the country teams submitted their allocations by program, we centrally aggregated them to their appropriate accounts. In doing so, we sought to maximize the use of account authorities and establish clear priorities in support of effective implementation of foreign assistance programs.

This means that, overall, funding for the Development Assistance account (DA), which has traditionally supported assistance in poor countries that demonstrate performance or a commitment to development, has been prioritized to Developing and Transforming countries. The Economic Support Fund (ESF), which focuses primarily on providing economic support under special economic, political, or security conditions, has been prioritized to support activities in the Rebuilding and Restrictive Country Categories.

However, activities to support the poor and invest in development have not changed. For the three objectives supporting long-term development: Governing Justly and Democratically, Investing in People, and Economic Growth, DA and ESF totaled \$3.7 billion in fiscal year 2006. For fiscal year 2008, DA and ESF in these objectives total \$3.8 billion.

The real change is within Restrictive and Rebuilding countries: Total funding in the three objectives supporting long-term development increased by 63 percent over fiscal year 2006 levels. However, the balance between DA and ESF changed, with DA declining from \$331 million in fiscal year 2006 to \$42 million in fiscal year 2008; and ESF increasing from \$525 million in fiscal year 2006 to \$1.4 billion in fiscal year 2008.

Now I realize that this may have many of you worried that this DA decrease and ESF increase means that foreign assistance will now be used increasingly for political ends and that poor people will suffer. I know there is often a skepticism between our two branches when one side or the other presents a series of numbers, so let me address any doubts by citing a group many consider an “Honest broker”—the Global Leadership Campaign. In their February 26, 2007, analysis, they point out, “Overall ‘development-type’ activities do not decline in fiscal year 2008 due to the shift between DA and ESF, and in fact, increase in the aggregate.”

Let me assure you of this point. Our intent in shifting funds from DA to ESF is to draw cleaner lines around their use, as identified by country characteristics. Period. These cleaner lines allow us to justify to you why we have requested amounts for each account. There is no intent to take the “development” out of any of our development resources.

#### REGIONAL FUNDING TRENDS

Consistent with the principles mentioned above, I would like to review briefly the regional funding trends you will see in the fiscal year 2008 budget.

*Africa.*—When projected MCC disbursements are included, the fiscal year 2008 request for Africa represents a 54 percent increase over fiscal year 2006. Including actual disbursements and projected fiscal year 2008 disbursements from the MCC, resources for Africa have nearly quadrupled from 2001–2008. Over 75 percent of the fiscal year 2008 budget will focus on Investing in People in order to address the crippling effects of disease and poverty, a \$2 billion increase from fiscal year 2006. These increases are largely due to HIV/AIDS resources, but not entirely. When HIV/AIDS, MCC and the emergency-oriented accounts of Public Law 480 Title II food aid, Migration and Refugee Assistance, and International Disaster and Famine Assistance are excluded in both fiscal year 2006 and fiscal year 2008 (as allocation of emergency funds is often unknown until the end of a fiscal year), there is actually a 15 percent increase in resources to Africa.

*East Asia and the Pacific.*—With projected fiscal year 2008 MCC disbursements included, proposed fiscal year 2008 funding for the region increases by 15 percent over fiscal year 2006. Democratic challenges and terrorist threats require that peace and security programs emphasize counterterrorism and conflict mitigation while also maintaining military assistance for key War on Terror partners. Resources for these types of key security programs make up 18 percent of the request for the region. Countries such as Indonesia, the Philippines, and Mongolia collectively receive 53 percent of the region’s request.

*Near East.*—The fiscal year 2008 request for the Near East represents a 4 percent increase over fiscal year 2006, including reduced levels for Egypt and Israel under glidepath agreements. The fiscal year 2008 request emphasizes continued investments in Peace and Security and political reform. Accordingly, funding for Peace and Security increase by 4 percent, while investments in Governing Justly and

Democratically increase by more than 80 percent. The fiscal year 2008 request is concentrated in Iraq, Israel, Egypt and Jordan, representing 93 percent of the region's budget.

*South and Central Asia.*—Funding to South and Central Asia increased by 6 percent in the fiscal year 2008 request compared to fiscal year 2006 levels for the region. Funding will continue to support the Global War on Terror through security, reconstruction, development and democracy efforts, particularly in Afghanistan and Pakistan, which represent 84 percent of the region's request. Success in these countries is critical to achieving peace, stability, and development progress throughout South and Central Asia. Funding for the five Central Asian countries declined by nearly 24 percent from fiscal year 2006 to fiscal year 2008. Much of the decline comes in Uzbekistan, where the government has worked actively to limit U.S. assistance related to reform, and in Kazakhstan, whose oil wealth lessens the need for our assistance.

*Western Hemisphere.*—Foreign assistance for Latin America has risen dramatically since the start of the Administration, rising from \$862 million in fiscal year 2001 to a requested \$1.4 billion in fiscal year 2008 for State and USAID Administered programs. If the fiscal year 2008 request is fully funded and MCC fiscal year 2008 disbursements are taken into account, resources to the Western Hemisphere will have doubled under this Administration, from \$862 million in fiscal year 2001 to \$1.66 billion in fiscal year 2008—a 4 percent increase over fiscal year 2006.

The focus of resources within the region has also changed. The Western Hemisphere, in general, has made significant progress over the last decade, although major challenges remain. Funds have therefore shifted from service-delivery in health and basic education, where the region has made progress relative to other regions, to economic growth and activities to help consolidate democratic gains. Our programs are targeted to improve government capacity and provide access to economic opportunity to all citizens, especially the poor and marginalized, by catalyzing private sector investments, reducing the cost of doing business, and expanding access to microcredit. With MCC disbursements considered, economic growth resources are up 80 percent in fiscal year 2008. Resources to improve government capacity and strengthen democratic institutions are up 5 percent.

I am aware of recent briefings where concern has been expressed about declining funding for our neighbors. In fact, my very first trip since submitting the fiscal year 2008 budget was to Bolivia, Ecuador, and Peru, three countries that have sustained decreases in the fiscal year 2008 budget. In each of these countries, the positive impact of our past investments was clear, and our ability to build on them with innovative programming and partnerships was also evident.

*Europe and Eurasia.*—This region represents another success story in development. The fiscal year 2008 request for Europe and Eurasia represents a 26 percent decrease from fiscal year 2006, reflecting success achieved in the region. When projected fiscal year 2008 MCC disbursements in Georgia and Armenia are included, the reduction is 13 percent from fiscal year 2006. While United States assistance has played a substantial role in supporting further integration of countries in Eastern Europe and the Western Balkans into Euro-Atlantic institutions, a number of difficult challenges remain across the range of foreign assistance objectives. Funds for Kosovo and Serbia represent 27 percent of the region's request. Countries at the forefront of reform—Ukraine, Georgia, and Moldova—and countries that present democratic challenges—Russia and Belarus—together represent 30 percent of the region's budget.

#### CONCLUSION

For too long, the debate between Congress and the Administration regarding foreign assistance has lacked focus. Very much like a ship with too many calibrations, the foreign assistance boat would move in one direction for a while, then shift directions with a new Administration or a new Congress, oftentimes back-tracking over the same course it had traveled just a few years ago. As a consequence, many recipient countries have not been given the tools they need for a long enough period of time to help their countries sustain progress. Globally, progress has been slow and often imperceptible.

The fiscal year 2008 Foreign Operations budget, built on the basis of the principles and methodologies described above, reflects country-based strategies for progress, evaluated within the context of regional challenges and opportunities, and responsive to a shared goal and objectives targeted to achieve that goal. And since budget planning was thoroughly integrated, the fiscal year 2008 budget, like a Rubic's Cube, relies on each individual piece to maintain the integrity of the whole.

In addition to developing the new Strategic Framework for Foreign Assistance, we have developed a standardized set of definitions, or a "Development Dictionary," if you will, of the programs that relate to our five priority objectives, and ultimately to the transformational diplomacy goal. The Development Dictionary describes what we mean, across all programs and sources of funding, when we describe a program as "justice system reform" or "conflict mitigation." We published this reference on line and have invited comments from your staffs and the NGO community. Every dollar of the fiscal year 2008 budget is identified against these common definitions, making comparisons across fiscal years, countries, programs, and regions transparent and easy.

We have developed common indicators for each of the programs defined in the development dictionary, such that we will be able to compare partner, program, and country performance across agencies and sources of funding. We developed these indicators with input from the NGO community and have posted them on line, together with an email address to collect comments.

We have wrapped the money, definitions, and indicators into one system that will be able to tell you who is getting the money, what they are spending it on, and what results we expect to be achieved. This information will come together in an annual Operational Plan submitted to Washington for each country where foreign assistance funds are provided. For the first time, starting with fiscal year 2007 funds, we will be able to tell you what a \$1 million change from *X* activity to *Y* activity will mean for a program so that you can better determine whether such a change, and its opportunity cost, best reflects the impact you want to have.

In making these changes, we sought explicitly to be responsive to concerns raised by Congress about the transparency of our decisionmaking, the coherence of our resources, and our ability to account for results. My hope is that the first steps taken over the past nine months will support a robust dialogue between the legislative and executive branches about funding priorities. Because with this new transparency of information comes a new responsibility on both of our parts to raise concerns where we feel our differing priorities will have a detrimental impact on transformational diplomacy progress. I look forward to hearing your input regarding the prioritization of resources that we have laid on the table.

Far more than just moving the deck chairs, the reform reflected in the fiscal year 2008 budget represents the re-calibration of the ship. But only when we discuss our differing priorities, in the spirit intended by the balance of powers between the executive and legislative branches, will the ship find its most appropriate and progressive course. We need to develop common priorities for the ship's movement to sustain permanent progress.

I look forward to engaging and working with you over the coming months to develop our common path and urge you to fund the full fiscal year 2008 request.

Thank you.

#### TRANSFORMATIONAL DIPLOMACY

Senator LEAHY. Well, thank you and it will be. You say in your statement that for the first time in the Nation's history all of our foreign assistance resources are being applied to the achievement of the single over-arching goal, transformational diplomacy, and how democratic, well-governed states respond to the needs of their people, reduce wide-spread poverty, and conduct themselves responsibly in the international system. I think that is a fair summary of what you said, and I support that. We all do.

But isn't that what we've been trying to do ever since World War II?

Ambassador TOBIAS. Well, yes, I think we have. I think the question is: Have we been as effective in doing it as we might be and what can we do as we go forward to do a better job of it?

Senator LEAHY. I think what I mean is we do a lot of things. We train teachers, we strengthen healthcare systems, we reform judicial systems which is extremely important to build trade capacity. So may I ask you this: What have we been doing that we're not going to do and what are we going to do that we haven't been doing?

Ambassador TOBIAS. Senator, I think that it begins with all of us, those in the Congress and those in the administration, as well as people in the NGO community and others that have an important interest in all of this coming to a common conclusion around what is it we're really trying to get done here, and what is the best way to get it done. So the administration has laid out this framework as a point of at least starting the discussion, with the idea being that in some instances I think our activities, well intended as they have been, have been more successful in building dependency than they have been in building a sustainable set of programs to allow countries to progress on a trajectory and eventually graduate from the need to be dependent on foreign assistance.

I think that our foreign assistance has sometimes had a thousand objectives. We've been a mile wide and an inch deep, and we haven't been clear and crisp—

#### FOREIGN ASSISTANCE BUDGET

Senator LEAHY. But I can think of some of the times when we supported some of the worst heads of state because they said they were anti-communist.

Then after the breakup of the Soviet Union it was Mr. Putin's method of governing. I'm not sure what the major changes are sometimes but after that, we said we would support anybody who said they were anti-drugs, because that became the mantra, and in a number of instances we closed our eyes to severe problems in countries that we were supporting because of that.

Now if they say they are anti-terrorist, even some countries that have harbored terrorists, well, then we support them.

These mistakes have been made by both democratic and republican administrations.

You testified that contrary to concerns expressed by some Members of Congress in fiscal year 2008, resources for the objectives targeted to achieving long-term development, governing justly and democratically and investing in people increased by 19 percent over fiscal year 2006 levels.

But if you take the Millennium Challenge Corporation and HIV/AIDS out of the equation, then how do fiscal year 2006 and fiscal year 2008 compare?

Ambassador TOBIAS. Well, first of all, I'm not a fan of taking HIV/AIDS and the Millennium Challenge Corporation out of the equation.

Senator LEAHY. Well, the reason I ask that is because the Millennium Challenge Corporation has a huge amount in the pipeline but hasn't spent much at all, so that's why I asked the question.

Ambassador TOBIAS. Well, the way we have done the calculation is to work with the Millennium Challenge Corporation to determine what they believe their actual outlay will be during the year 2008 in each of the countries where they have a compact. We have assessed what we believe our foreign assistance will be on a country-by-country basis—not on the size of the compact but on what will actually happen in 2008.

But in many countries in Africa, for example, if you look at an education program in a country where 20 percent of the teachers are dying every year, it becomes pretty clear that the AIDS initia-

tive is dealing with more than just AIDS; it's dealing with the fundamental fabric of the country, so I really do think it's appropriate to count all of it.

Senator LEAHY. Let's talk about that. For example, in Nigeria, you said you want to help them strengthen their institutions and make progress permanent. But if you take out the AIDS money—and I'm not suggesting we do—I've been a strong supporter, as you know, of adding money for HIV/AIDS long before it became popular. But if you take out AIDS you only propose an additional \$20 million for Nigeria, a country of 125 million people. You cut aid to the Ukraine by \$16 million, I believe. Georgia by \$21 million. How does this show us strengthening their institutions? You see what I'm getting at?

Ambassador TOBIAS. Of course I do.

Senator LEAHY. We're going to put the money in for HIV/AIDS. I've worked closely with the President and others on that. Even when he hasn't had it in the budget we've put it in, but how do we strengthen democracy with only \$20 million for Nigeria?

Ambassador TOBIAS. Well, we're proposing to spend a significant amount of money on democracy programs because they're so incredibly important. Indeed, in a number of countries, unless we have rule of law and solid democracy programs, it's not likely that other things are really going to work in a sustainable way.

But in all cases, we have put the budgets together on a country-by-country basis using people with expertise both here in Washington and in the field assessing the resources that we felt we could make available, and making a determination based on what the most compelling issues are in that country as to where can we spend the money and make the greatest difference in moving that country forward.

Senator LEAHY. Sure, but in Nigeria that's about 20 cents a person, and I'm not sure you're going to build an awful lot of democracy or better court systems in that way. I know we have a huge amount of money going to Pakistan and Afghanistan and Iraq. We have a huge amount of money that goes to Israel and Egypt, and a lot goes to Colombia even though it hasn't stopped drugs coming into this country.

I worry about the areas where—I think you'd agree with me—there are going to be problems if the United States does not get involved. My time is up, and I yield to Senator Gregg.

#### FORMER SOVIET REPUBLICS

Senator GREGG. Thank you, and picking up on that note I recognize that you've got to cover the whole globe and you have to—therefore you end up not putting a lot of money except into a few nations that have high-visibility issues, such as Iraq, Afghanistan, Egypt, and Israel.

But accepting that as the context, why is the budget deduce the funding for the former Soviet Republics that are, basically it seems, some of the most fertile ground in the world for developing democracies, and the rule of law in countries that would be natural allies, especially since many of them are on the rim of the Middle East and represent marginally Islamic countries that could be friendly.

Ambassador TOBIAS. Are you talking about Russia or are you talking about—

Senator GREGG. The former Republics.

Ambassador TOBIAS. The former Republics. Well, again, we've tried to prioritize within each region the countries in that region that our people with expertise have felt were the greatest priorities, and then within each country we've tried to prioritize those particular areas where people have felt we could make the most difference. I'd have to go through on a country-by-country basis, which I'd be happy to do, but at the end of the day it's—

Senator GREGG. Let's do that, because your funding to the Former Soviet Republics which are now independent has been cut.

Ambassador TOBIAS. Senator, I'm sorry. I'm having a little trouble hearing you.

Senator GREGG. The funding to the Former Soviet Republics has been cut in this budget; I'm wondering why. So let's go through each one. Let's start with Georgia. Why did you cut funds to Georgia?

Ambassador TOBIAS. Do you want me to find the list now?

Senator GREGG. No. I want you to answer the question: Why did you cut funds to Georgia?

Ambassador TOBIAS. Well, funds were reduced in the sense of looking at the resources that were available, and the people with the expertise on the region and on the countries in the region making the choices that with scarce resources, we would put the money in the places that—

Senator GREGG. Because there was obviously a tactical decision made, or a strategic decision made, that you would focus dollars on other accounts at a more significant level and reduce dollars to what are now Republics that used to be Soviet client states. I guess the bottom-line question is: Why was that decision made? Clearly there was a decision made to do that.

Ambassador TOBIAS. Well, again, I don't know how to answer it other than to say that it was a matter of—

Senator GREGG. Give me some specifics as to what made that—

Ambassador TOBIAS. There was no systematic intent to reduce levels in the former Soviet Republics. We considered each country program on an individual basis and in the broader context of competing needs around the globe. The request for the region overall reflects successes in promoting reform and creating legacy institutions, as well as increases for some countries with pressing needs or significant opportunities. As a result, you will see funding increases for Turkmenistan, for example, in response to opportunities presented by the transition of power in the presidency, and for Tajikistan (excluding emergency food aid) to respond to the urgent need to secure its border with Afghanistan and promote reform. Funding has decreased in Uzbekistan, where the government has worked to actively limit United States assistance related to reform and in Kazakhstan, whose oil wealth lessens the need for our assistance. In Georgia and the Ukraine, we see increasing capacity and contributions from host governments, thereby justifying lower assistance levels.

Senator GREGG. Well, I honestly can't believe that as head of the foreign assistance and head of USAID, you can't give me something—a specific rationale for why we are—we have decided to turn away from those nations and move the dollars to other nations. Other nations seem to be such fertile ground for our capacity to develop stable nations and nations which have democracy, which have rule of law, and which are potentially significant allies in the war against fundamentalism.

Ambassador TOBIAS. Well, it certainly isn't that we've decided to turn away from them; it's simply been a matter of taking the resources that are available and trying to make a determination about what is the best way to use those resources. But I will be very happy to respond on a specific basis on what the rationale was in each case.

USAID ADMINISTRATOR AND DIRECTOR OF FOREIGN ASSISTANCE

Senator GREGG. Well, it doesn't make sense to me that there was a rationale in each case, because it had to be a philosophical decision because it's so apparent that you have moved away from this region of the world and moved money into another region of the world, specifically Africa, it looks like. It was a regional decision; it wasn't country-by-country, I don't think, but certainly the dollars have been flying out. How do you divide your time between being head of foreign assistance and USAID?

Ambassador TOBIAS. In a typical day, Senator, I start my day, when I'm in Washington, in the State Department and spend the morning, usually, in the State Department. Then at about lunchtime I go over to USAID and we set up the schedule for meetings and things over there for the afternoon.

Some days I'm over there longer; some days I'm in the State Department longer, depending on what's going on on that particular day, but that's my basic plan.

Senator GREGG. How does that work? I mean, that seems inherently disjointed.

Ambassador TOBIAS. Well, I think it's working well. I think it will work even better a year from now, because when my predecessor was the head of USAID and there were two separate foreign assistance budgets, one for USAID and one for State Department foreign assistance, you'd have programs coming from different directions in a country. There was an enormous amount of coordination that needed to take place, and the Administrator of USAID spent an awful lot of time talking to a variety of people in the State Department in an effort to coordinate.

I'm now talking to myself for those kinds of things, and I think the coordination is much easier and much better, so I think it's been a significant improvement.

Senator GREGG. Should there even be more integration then? Should, I mean, the physical location of the two organizations be merged?

Ambassador TOBIAS. Well, I would not favor that. I think that we need a strong USAID, we need a strong organization of professionals who are focused on foreign assistance who have chosen to focus their careers in that way, and I'm very, very proud of the peo-

ple in the organization, for their dedication, their knowledge, and their hard work.

At the same time, I think that we need to ensure that we have USAID strategically lined up with what the United States Foreign Policy interests are in the countries where we are working.

I think on the ground, on a country-by-country basis, historically and currently, I think it's probably worked better than it has here in Washington, where the U.S. Ambassador is leading the U.S. Government team on the ground. The USAID Mission Director reports, in part to the Ambassador, and in part back here to USAID, but is the principal professional development person on the Ambassador's team, and the integration of what the U.S. Government is doing on the ground, you know, begins there.

But in the planning process, and the coordination process, and the technical expertise and so forth that takes place in Washington, it's been more fragmented than it needs to be. But I don't think the solution would be to totally merge the two organizations.

Senator GREGG. Thank you.

#### STATEMENT OF SENATOR CHRISTOPHER S. BOND

Senator BOND. Thank you very much, Mr. Chairman, and I would say to you and ranking member Gregg that even though I spend a very large part of my time working on military defense matters and intelligence matters, I believe this committee is extremely important because the old saw that in a battle against ideology, it's 20 percent kinetic and 80 percent economic development, ideological, and this committee, I believe, has a much more important role than we have been able to recognize in the budget to achieve our goal through diplomacy and economic development. So I think this is extremely important, and I am very much concerned about some of the things that are going on, Mr. Ambassador. Excuse me. You wanted to say?

Senator LEAHY. I was just going to say I appreciate that. I, having served on the intelligence committee here, was the vice chairman of it, and you see a global view that the rest of us do not see, and I appreciate that very much.

#### AGRICULTURE DEVELOPMENT IN AFGHANISTAN

Senator BOND. Well, thank you. I think our members of the intelligence committee would agree. But Mr. Ambassador, I have some real concerns about some of the specifics I've learned.

A little over a year ago I was in Afghanistan. This year, Senators Mikulski, Hutchison, Brownback, Cornyn, and I are again requesting \$20 million be made out of USAID's 2008 foreign operations bill for the establishment of a U.S. land grant consortium to be led by Texas A&M to implement widespread training activities, to assist farmers to comprehensive level not being achieved, to teach them how to use best techniques to grow pomegranates and other alternative crops and set up independent credit cooperatives.

Last year USAID totally ignored the congressional intent when we put in \$5 million and the money was dribbled out to individual initiatives—underway with individual colleges. The intent of that money was, and still is, to strengthen a nationwide agricultural extension system through programs planned and delivered by people

who have been working over 100 years to help farmers in the United States.

I remain concerned about what appears to be a deeply entrenched relationship between Kimonics and USAID and Kabul and DC. It's making it very difficult if not impossible for other proven contractors and even other NGOs from getting funds.

I've spoken with a number of people inside and outside of Afghanistan who are trying to do some good and are extremely frustrated when they run into the monopoly between USAID, Kimonics, and other large USAID contractors. Some of those people, I will tell you, include our military commander in Afghanistan, a top expert from USDA Department of Agriculture who was there, and President Hamid Karzai who told me that he wanted to have this assistance.

I understand over the last 4 years USAID have gone through some \$600 million on agricultural development in Afghanistan and had shown darn little for it.

Now, I know it's easier to shovel out a couple of hundred million dollars to a big contractor, but when it's not getting the job done, what I want to know is: Why will you not take the time and make the effort to utilize resources where we can get volunteers from extension services, men and women who have been trained for years to help farmers, why you are not willing to accept this idea for Afghanistan?

Ambassador TOBIAS. Senator, I'm a big supporter of the contributions that the land grant universities make. I just came back from Lebanon a few weeks ago where I saw a program where dairy farmers who had been selling their products on the side of the road 2 or 3 years ago, are now competing in global markets because of a USAID project that created a cooperative, and the expertise that has come from land grant universities in this country to help them have the skills they need to provide high-quality products.

I'll take a fresh look at what we're doing in Afghanistan and see who all is involved, and whether or not there's more we can do, because—

#### FINANCIAL SERVICES VOLUNTEERS

Senator BOND. I want a response for the record. I know in—I was in India about a year ago, and the President's agricultural knowledge initiative envisioned you using land grant colleges. What I want to know is why the hell we can't get you to follow congressional intent to start out on a small program in Afghanistan and save a whole bunch of money that nobody seems to know what good it has produced.

I think this is—it's unbelievable that the amount of money that's been spent, and the apparent lack of any demonstrable progress. I think you can do a very good job if you'll work with volunteer organizations.

By the way, that brings to mind, I had a visit recently from some of the outstanding leaders who had the Financial Services Volunteer Corp. These are experts in financial systems, banking from—some volunteers from our largest banks, from accounting institutions. They have worked in countries to—they developed the cur-

rency for Afghanistan. They were working in Indonesia to help them develop a system for countering money laundering.

They have—they bring on a volunteer basis, with just support services needed, the expertise of our top financial professionals in the United States, the countries who need that help. They tell me that they are not getting funding anymore from USAID, and I would like to know why a dedicated group of professionals who are doing a highly sophisticated job for countries that need it, are being shut out. Do you know what the reason is?

Ambassador TOBIAS. No, I don't, Senator, but I'll take a good look at that. I'm familiar with the organization, but—

Senator BOND. I mean, they had John Whitehead, they've had other top professionals, and I'm just dumbfounded that you wouldn't be looking, looking for pools of volunteers that could help like that. Thank you, Mr. Ambassador. Thank you, Mr. Chairman.

#### FOREIGN ASSISTANCE BUDGET CUTS

Senator LEAHY. Thank you very much. I have some of these same concerns about grants going just to a small handful of contractors, big contractors who also have lobbyists here in Washington, and then it closes out others who often have very innovative and very good ideas.

Now, the changes you've made to the budget process may be more coherent and transparent, but I'm mystified by some of the results. Take a country like Colombia that has received roughly a half a billion dollars, \$565 million, in each of the past 5 years. They get the same amount this coming year, although we know a number of things that have not worked. We know conditions in Colombia have changed.

We know that the idea of stopping cocaine from coming into America has been basically a failure. The price of cocaine and availability is the same today as it was before we took billions of dollars out of programs that might've stopped people from using cocaine, put it into Colombia to stop it from coming in here.

In Nepal, a country where years of fighting has cost thousands of lives, there's a chance to end the Maoist insurgency and bring democracy to replace a feudal system, but you propose to cut our assistance.

Democratic Republic of the Congo, a huge country. I can't think of many places that have more problems, but they had their first election in 40 years. It holds the key, I think, in many ways to the future of all of central Africa, and is very important to us. You want to cut our assistance.

Certainly other countries, like China and others, seem to be ahead of us in realizing its importance but you propose to cut our assistance there.

Vietnam, a country of 80 million people that is trying to build closer ties with the United States and the President actually went there last fall. With the exception of HIV and AIDS, you're going to cut our assistance there.

Congress has tried to increase funding for global environment programs which have bipartisan support, particularly biodiversity in the Amazon. Central Africa where forests are being destroyed at breakneck speed. I mean, in 5 year's time what may have taken

400 or 500 years before, you're slashing funding for those programs.

Last year you said our intent is not to have a USAID budget or State Department budget, but a foreign assistance budget that would make all of it more coherent in a way that all of us could better understand.

I'm all for that, but what good is coherence if it produces illogical outcomes? I mean, what do people say in the field? It certainly doesn't reflect what a lot in Congress and both parties have been saying. What is the thinking behind these outcomes?

Ambassador TOBIAS. Senator, you are making very eloquently the point that I would hope to make this morning, and that is that I'm very, very hopeful that this year the Congress will not cut the administration's fiscal year 2008 request for foreign assistance, because we need every penny.

If I take the \$20.3—

Senator LEAHY. If I might, and I apologize for interrupting, but you know, we need every penny, but I want to know where it's spent.

I've had times up here when we've had grandiose proposals for budgets in various administrations knowing that there's no money for the things that many people feel we should have and somehow we have to find the money. At Millennium Challenge there's huge amounts of money in the pipeline. I think you have to admit that started off with a very, very slow start.

Ambassador TOBIAS. Well, if I take the \$20.3 billion in the request for foreign assistance, and if I back out of that the Global AIDS Initiative, and if I back out of that the approximate \$1.8 billion in funding request for those contingency accounts that will be allocated as we go through the year, like emergency food aid, and refugee assistance, and that kind of thing, and then if I take the 31 largest country programs, which I think tend to be less controversial, and represent those programs at \$50 million or higher, I'm left, out of that \$20.3 billion, with \$3.6 billion to spread over the 124 remaining country programs.

So we have made some very, very difficult decisions in allocating this budget. We have tried to do it in a far more transparent way than it has ever been done historically, with a level of detail that neither the Congress, nor the administration has had access to in the past, so that as we continue our dialog we can determine why the decisions were made in putting this budget together, and understand where we did not get it right. What are the things that we may need to think about in different ways?

But this has been a very conscious good-faith effort to try to be sure that each country's program is driven by what people on the ground in that country and here in Washington believe, given the resources available, can make the most difference in moving that country on a path toward independence.

Senator LEAHY. Well, what are the five countries that get the most money?

Ambassador TOBIAS. Let's see. They are Israel, Egypt, Afghanistan, Pakistan, and Sudan.

Senator LEAHY. Sudan gets more money than Iraq? Or are we talking about—

Ambassador TOBIAS. Israel, Egypt, Afghanistan, Pakistan, Sudan, South Africa, Colombia, Kenya, Nigeria, Jordan, Ethiopia, and Iraq. I'm talking there about the 2008 budget request.

Senator LEAHY. Well, maybe we have different ways to count how much goes into Iraq. I noticed recently the President cut funds for the cops program but we're adding increased money for police forces in Iraq. I heard in the paper today that we've trained them so well they went in and killed 40 people as revenge killings, the police did, today in Iraq.

Anyway, my time's up. Let me yield to Senator Gregg. We're all trying to do the same thing. I'm just worried that we spend an awful lot of money in places where we aren't getting much out of it, and there's been too little in places where we have a great potential.

Ambassador TOBIAS. Well, Senator, I share that concern and that's why we are trying, on the one hand, to make the most conscientious effort we can to be sure that we are spending the money in the most appropriate, effective way we can, and to lay out the data as transparently as possible so that we will all know how those decisions are made, and I think it will be easier for us to collaborate going forward as to what we ought to be doing.

#### ASSISTANCE FOR THE MIDDLE EAST

Senator GREGG. Can you read those five countries again? Egypt, Israel—the five countries that have the highest? Egypt, Israel—

Ambassador TOBIAS. Israel, Egypt, Afghanistan, Pakistan, and Sudan.

Senator GREGG. How much money have we given to Egypt over the last 20 years?

Ambassador TOBIAS. The 2008 request is \$1.720 billion.

Senator GREGG. What's the total we've given to Egypt and Israel in the last 20 years?

Ambassador TOBIAS. U.S. assistance to Egypt and Israel has been governed by similar "glidepath" agreements since 1998. The agreement between the U.S. Government and the Government of Egypt established steady Foreign Military Finance (FMF) assistance at roughly \$1.3 billion per year. In contrast, Economic Support Fund (ESF) assistance has declined \$40 million per year from a starting level of \$815 million in 1998.

In the 10 years prior to the signing of the glidepath agreement (1988–1998), the United States obligated approximately \$24 billion of economic and military assistance to Egypt. We have provided approximately \$19 billion to Egypt since the signing of the glidepath agreement in 1998. This total includes fiscal year 1999 levels through the fiscal year 2008 request, if fully funded. The share of Peace and Security assistance as a share of total assistance has increased from approximately 61 percent in 1998 to 73 percent in 2007. Peace and Security assistance funds primarily Egyptian purchase of U.S. military equipment to shift Egyptian orientation to the United States and to increase our interoperability.

The agreement expires in 2008, and we are currently working with both Israel and Egypt on what the future may hold with regard to foreign assistance levels.

Senator GREGG. So there's a lot of money going to the same places over and over again.

Ambassador TOBIAS. That's right.

MILLENNIUM CHALLENGE CORPORATION

Senator GREGG. But there's not a lot of money to places where we might have an opportunity to do some significant activities, such as we talked about earlier, the Former Soviet Republics. How much money is in the Millennium Challenge right now?

Ambassador TOBIAS. I'm sorry?

Senator GREGG. How much money is in the Millennium Challenge right now?

Ambassador TOBIAS. I think their request, which is separate from the \$20.3 billion, I believe their request in the budget is \$3 billion in the 2008 budget.

Senator GREGG. Do you know how much is unspent?

Ambassador TOBIAS. No, I don't. I don't.

Senator GREGG. How many countries qualify for the money in Millennium Challenge?

Ambassador TOBIAS. I don't know. I don't think I have that data.

Senator GREGG. I mean, do you expect any more countries to come on line and qualify for the Millennium Challenge in the near future?

Ambassador TOBIAS. Well, there are a number of countries that are working hard to meet the MCC requirements. There are several countries who are in a so-call threshold status where we are funding threshold programs to work with them to get them to the point where they will meet the criteria, and yes, I would expect there will be more countries coming on board.

Senator GREGG. You don't know who's in line, though, do you?

Ambassador TOBIAS. No, I don't.

Senator GREGG. I notice you've got Laos listed as something above the lowest category of nations where it seems to me it's a pretty repressive nation. Shouldn't it be lumped in there with Cuba and North Korea and—

Ambassador TOBIAS. Well, these designations are determined by a lot of indicators that come from various organizations like Freedom House, and the World Bank, and so forth, and they fall where they fall.

Senator GREGG. The State Department doesn't have any role in making those designations?

Ambassador TOBIAS. Well, we have used a set of indicators, but the purpose of that categorization is to try to give us a sense of the kinds of development interventions that we likely need to be using in each of these categories of countries. Obviously in countries like that, we would expect that more of our effort would be focused on democracy programs.

Senator GREGG. Well, I wish you'd go back and explain to us why Laos and Sudan are not in the restrictive category. I just don't see how either of those elements could possibly not be in the restrictive category. The import/export bank, what's the status in that?

Ambassador TOBIAS. Senator, that's beyond my area of focus and expertise. I'll be happy to pursue anything that you'd like for me to, but I'll have to do that for the record.

## AFGHANISTAN

Senator GREGG. Okay. We've now spent how much money in Afghanistan?

Ambassador TOBIAS. Since 2001 through fiscal year 2006, the U.S. Government has provided over \$14.2 billion in foreign assistance to Afghanistan. Of this amount nearly \$9 billion has gone for security assistance and \$5.2 billion for reconstruction, humanitarian and governance assistance.

Senator GREGG. Well, what are we spending the money on? Let's try it this way. How are we spending the money in Afghanistan?

Ambassador TOBIAS. A lot of the money is going into building infrastructure that will help the economy. There's been a lot of money going into roads, a lot of money going into electricity, money going into programs to provide and enhance the capacity and capability of the government ministries.

I have visited programs in Afghanistan out in the rural areas where we're teaching farmers, who have been former poppy growers, the skills to grow alternative crops. We have programs where farmers who have been poppy growers are being taught to be electricians, or plumbers, or other skills that can give them a livelihood in other areas.

Senator GREGG. Do we expect that you're going to change the forces of the marketplace in Afghanistan and cause people to stop growing poppies when it's the most lucrative crop?

Ambassador TOBIAS. Well, that's probably one of the most difficult issues in Afghanistan, and there's a hard look being taken right now at the whole poppy issue to look at what we've been doing, what's worked, what has not worked, what lessons can we learn from other places in the world.

I just visited a program in Peru a couple of weeks ago where villagers that are growing coca leaves, it's made very clear to them that their coca plants are going to be eradicated, but if they are willing to band together and sign a compact with the government that they're going to get out of the coca plant business, then we are working with them to address other issues that may improve the quality of life in those villages—building a school, building a health clinic, whatever kinds of things that the village may think is a priority, and—

Senator GREGG. Is that in Afghanistan?

Ambassador TOBIAS. That's in Peru, but the program's been very successful and we're not doing that in Afghanistan but we're looking at that as something to take to Afghanistan as an example.

Senator GREGG. I'd be interested in knowing to what extent the poppy growing has been abated by the dollars we've spend in Afghanistan. Do we have any studies to that?

Ambassador TOBIAS. The United Nations Office on Drugs and Crime published a report in February 2007: Afghanistan Opium Winter Rapid Assessment Survey. With increasing ties between narcotics traffickers and elements of insurgency in southern Afghanistan, poppy cultivation in the South has increased. In contrast, a mixture of political will and incentives and disincentives, such as eradication programs funded by the U.S. Government, contributed to a decline in opium cultivation in the Northern prov-

inces. As a result, several Northern provinces with very low amounts of poppy are well on their way to becoming poppy free.

Senator GREGG. What percentage of our dollars—we've spent somewhere in the vicinity of \$3 billion in Afghanistan—what percentage of those dollars have been directed at poppy-growing suppression?

Ambassador TOBIAS. Since 2001 through fiscal year 2006, the U.S. Government has provided over \$14.2 billion in foreign assistance to Afghanistan. Approximately 9.5 percent has been provided for counter narcotics.

There are other areas in Afghanistan where we can look at the things we've been doing and there's been significant progress. School enrollment in the Taliban time was about 900,000 people, it's now about 5 million. When the Taliban was there, about 8 percent of the Afghan population had access to healthcare; it's now about 80 percent. It used to take 15 hours to get from Kabul to Kandahar; it now takes about 6 hours on the highway that's been built.

The economy in Afghanistan has gone from about \$2.5 billion to \$4 billion at the time the Taliban was there, to about \$8.8 billion now, so there are a number of areas where we're making progress, but the drug part of the equation has not been, and that's why we're all taking a very hard look now at what's failed, and what's worked, and how can we do better.

Senator LEAHY. Afghanistan is a difficult case. We've made colossal mistakes in the past and again, you know, if you're anti-communist, so we arm the Taliban with a lot of weapons that they're still using. We get them Stinger missiles to go after—or shoulder-fired missiles to go after the Russians. I don't know if those things deteriorate after a while, but a lot of them they never turn back in, obviously, and still have.

You say some things have worked and some haven't. If you're in an area where the Taliban has control, I don't know of any program that works. We did build the highway and I think that's good news, but the fact of the matter is most of the economy you've talked about is in the Kabul area.

Some have said that President Karzai is really president of Kabul, not of Afghanistan, and that there is lawlessness outside. I would like to see everybody go to school. I want to see both boys and girls go to school, and it is hard to find a country that is more oppressive toward women than Afghanistan under the Taliban, but I'm afraid that a lot of that power is still with the Taliban.

#### EGYPT

In your budget justification—and I was thinking of this as I read some of the press in the last few days—you say that the U.S. Government supports the enactment of the political reforms outlined by President Mubarek during the 2005 presidential campaign, namely replacement of the emergency law with a modern counter-terrorism law, revision of the modernization law governing the judiciary, revision of the media law to expand press freedom, revision of the penal code to narrow the power of authorities to hold people without charge, and parliamentary input on broader constitutional reform. Any one of those happen?

Ambassador TOBIAS. Well, we've been working very hard with the Egyptian Government in a variety of ways.

Senator LEAHY. I've talked to President Mubarek a number of times.

Ambassador TOBIAS. Oh. I'm sorry. I misunderstood what you said.

Senator LEAHY. Because I've talked to President Mubarek a number of times. Everybody, and they're most gracious people, friendliest, they'll always talk to you, but name anything that's happened. We pour a huge amount of money in there. Name anything that's happened. I mean, any reforms, whether of the judiciary, or press freedom, any reform of political parties, any reforms in arresting people without charge? I mean, there may have been, I just totally missed it.

Ambassador TOBIAS. Well, there's been some recent reforms in the financial services industry, for example, where they've gone from monopoly, a government-owned bank, to a more competitive banking industry, and our people there are working very hard with reform-minded people inside and outside the government.

Senator LEAHY. What has that done for people's rights?

Ambassador TOBIAS. I'm sorry?

Senator LEAHY. What has that done to improve anybody's rights?

Ambassador TOBIAS. Well, I think as the economy has grown and as civil society has grown, that has certainly put people on a journey in the right direction, but there's much, much more to do.

Senator LEAHY. You said puts them on a journey. If you're the person being thrown in an Egyptian jail because you dared speak out against the government, you're not on a journey in the right direction.

We haven't had the right to legal counsel strengthened, we haven't had the media law expanded for press freedom, we have not had revision of the modernization law governing the judiciary. I don't see where the emergency law has been replaced. I don't see that they have narrowed the power to hold people without charge. Tell me honestly. Do you feel there's forward progress in Egypt?

Ambassador TOBIAS. I think there is in some areas, but I think there's a great deal more to do, and I think it's important to ensure that the money we're spending and that the programs that we have in place are tied to clear expectations about what we believe ought to happen in that partnership, and lots of people are working very hard on those issues.

Senator LEAHY. I know they're working very hard. We have a huge embassy there, we've got all kinds of people running around, and it's wonderful—it adds to the traffic jams in Cairo, and I know they're dedicated people, but I don't see where we're getting a heck of a lot for our dollar there.

I understand there are political considerations in sending money there, but we don't have money for other things. Senator McConnell and I worked to expand programs to strengthen the rule of law in China. Your budget justification, the fiscal year 2006 level for these programs was \$1.1 million. In fiscal year 2006 we provided \$20 million in the human rights and democracy fund for China, Hong Kong, and Taiwan. Where did that money go? Certainly the

administrative cost wasn't \$19 million out of that \$20 million. How come there's only \$1.1 million in there?

Ambassador TOBIAS. I don't know the details of that program, but—

Senator LEAHY. I'm sure you're going to want to get me an answer.

Ambassador TOBIAS. Well, what my effort is really focused on is trying to go forward and ensure that you know and we know exactly what we're proposing the money be used for, and that we have a very transparent way of measuring that, and that we're doing the best job we can focusing it.

#### IRAN

Senator LEAHY. If the transparency is there, somebody let me know where the money went. I mean, when we went from \$20 million to \$1 million, just what's happened. You propose \$75 million for Iran to support human rights defenders, labor activists, women, student, religious, ethnic, minorities, rule of law and justice programs. Heck, I'd love to see money for all those things, but in Iraq if you accept money from the United State you become a target. Won't the same thing happen to Iran?

Ambassador TOBIAS. Well, I think there are probably a lot of brave people who are willing to engage and take that risk. Some of that money is in—

Senator LEAHY. Take money from the United States?

Ambassador TOBIAS. I'm sorry?

Senator LEAHY. Willing to take money from, as they call it, the Great Satan?

Ambassador TOBIAS. Well, some of the money in that program is intended to develop a new independent media in order to reach the people of Iran with messages, and news, and information that's—

Senator LEAHY. Inside Iran?

Ambassador TOBIAS. Probably not.

Senator LEAHY. I'm all for getting more media in there, and I understand—I've not been to Iran—but I understand from people I know and respect who've been to Iran that there's a great deal of interest in the United States. I have other questions for the record.

Some of these questions Senator Gregg and I and Senator Bond ask, we're not trying to play "gotcha," we're just very concerned where the money goes. I understand some of the political considerations; every administration's had political considerations. But it's one thing to speak of lofty goals; it's another to affect the people on the ground. I'd like to see more competition among those who seek these kind of grants.

Ambassador TOBIAS. One of the considerations that I have put into the country Operational Plan Process is that any country where the U.S. Government program is spending more than 15 percent of its resources with a single source, I want to see it put on the table and justified as to why we're doing that.

Now as you said, in some cases where people are shorthanded and operating expenses have been cut, it's easier to administer 1 big contract rather than 10 small contracts. We, the Congress and the administration together, need to address that, and be sure that

people have the tools to be able to operate with a lot more and newer participants and I'm trying pretty hard to do that.

Senator LEAHY. Especially among those 10 separate contracts, there may be three or four that are really going to hit the mark and would be a model for elsewhere.

Ambassador TOBIAS. Yes.

Senator LEAHY. Okay. Well, thank you. I will place the rest in the record. I thank you for being here. You have one of the most difficult jobs in Government and I don't envy you that at all. Thank you.

Ambassador TOBIAS. Thank you, Senator.

SUBCOMMITTEE RECESS

Senator LEAHY. Thank you all very much. The subcommittee will stand in recess to reconvene at 10:30 a.m. on Wednesday, April 18, in room SD-138. At that time we will hear testimony from Dr. Kent R. Hill, Assistant Administrator, United States Agency for International Development.

[Whereupon, at 11 a.m., Thursday, March 28, the subcommittee was recessed, to reconvene at 10:30 a.m., Wednesday, April 18.]