

**FOREIGN OPERATIONS, EXPORT FINANCING, AND  
RELATED PROGRAMS APPROPRIATIONS FOR  
FISCAL YEAR 2004**

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**HEARINGS**

BEFORE A

SUBCOMMITTEE OF THE

COMMITTEE ON APPROPRIATIONS

UNITED STATES SENATE

ONE HUNDRED EIGHTH CONGRESS

FIRST SESSION

ON

**H.R. 2800/S. 1426**

AN ACT MAKING APPROPRIATIONS FOR FOREIGN OPERATIONS, EXPORT  
FINANCING, AND RELATED PROGRAMS FOR THE FISCAL YEAR END-  
ING SEPTEMBER 30, 2004, AND FOR OTHER PURPOSES

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**Agency for International Development  
Department of State  
Nondepartmental Witnesses**

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**FOREIGN OPERATIONS, EXPORT FINANCING,  
AND RELATED PROGRAMS APPROPRIATIONS FOR FISCAL YEAR 2004**

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**WEDNESDAY, APRIL 30, 2003**

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

The subcommittee met at 1:44 p.m., in room SD-192, Dirksen Senate Office Building, Hon. Mitch McConnell (chairman) presiding.

Present: Senators McConnell, Stevens, Specter, Gregg, Shelby, Bennett, Campbell, Bond, DeWine, Leahy, Inouye, Harkin, Mikulski, Durbin, Johnson, and Landrieu.

DEPARTMENT OF STATE

OFFICE OF THE SECRETARY

**STATEMENT OF HON. COLIN L. POWELL, SECRETARY OF STATE**

OPENING STATEMENT OF SENATOR MITCH MC CONNELL

Senator MCCONNELL. Good afternoon. The Secretary has to leave at 3 p.m., so we will limit our opening statements to Senator Leahy and myself and the chairman of the full committee.

Welcome, Mr. Secretary. Let me begin by expressing my gratitude to the President, his entire cabinet, and our soldiers and sailors for the quick and decisive victory in Iraq. Once again, we have affirmed that we have the best trained, equipped, and disciplined military in the world and the best leaders on and off the battlefield.

The victory in Iraq belongs to the people of Iraq, and the challenge now falls upon the coalition to repair damaged infrastructure, establish democratic institutions, and vest the principles of freedom and justice in the consciousness and lives of the Iraqi people. While Congress included \$2.5 billion for these efforts in the war supplemental, the country's natural resources provide an advantage that will hopefully sustain and accelerate the reform and recovery process. The United Nations should immediately end the sanctions against Iraq so that the profits from these resources can go directly to the people of that country.

I might just say, Mr. Secretary, I saw a fascinating op-ed in the Wall Street Journal a few weeks ago suggesting that one way to convince the Iraqi people that they are going to benefit from the oil would be to set up a structure similar to what they have in the

State of Alaska, where every Alaskan gets a check each year off of the oil revenue that the State secures.

Senator STEVENS. Not the oil revenue, but income from a fund created by a portion of the revenue.

Senator MCCONNELL. In any event, Alaskans get checks.

It is a demonstration of their sharing the wealth, shall I say.

While some believe that political transition in Iraq alone will be a harbinger of reform throughout the region, a more effective catalyst for change comes in the form of a trinity. First, a quick and successful democratic transition. Second, a workable road map for security and peace between the Palestinians and the Israelis that includes new Palestinian leadership, that, first and foremost, actively combats terrorism. And third, a bold, new approach to America's support of political and legal reforms across the region.

If this trinity is realized, the impetus for political reform throughout the Middle East will be inevitable and unstoppable. The Arab street will find a voice in democratic institutions and through responsive leaders chosen by ballots, not bullets, bullying, or Israel bashing.

The state of political reform in Egypt, including adherence to the rule of law and the functioning of democratic institutions, provides a good barometer of democratic change in the region. I believe that as goes Egypt, so goes the Middle East.

Shifting to North Korea, the hermit kingdom's ongoing bluster and its appalling repression of the North Korean people continue to be a grave concern to everyone. Although attention to North Korea's nuclear program may have been overshadowed by military operations in Iraq, I am hopeful the State Department will continue to focus on the myriad challenges posed by this nation. From nuclear weapons to narcotics trafficking and a potential Northeast Asian nuclear arms race, the Korean regime poses a growing and dangerous threat to its neighbors and to us. Negotiating with North Korea is no small or easy task. This is a country that makes France look trustworthy.

Let me make a few comments on the fiscal year 2004 request for foreign operations. Over \$2 billion is requested for four new accounts that potentially offer more rapid responses to global crises. It would be helpful to the subcommittee if you could summarize the objectives of each of these accounts and provide greater detail on the management of these funds and overlap, if any, with existing foreign assistance programs.

The funding request has again been reduced for assistance for Eastern Europe and the Baltic States and assistance for the NIS by \$86 million and \$179 million, respectfully, below the fiscal year 2003 enacted level. While I fully support graduating countries that receive U.S. aid, I remain concerned that too steep and rapid cuts may have unintended consequences.

A case in point is Serbia. The recent assassination of the Serbian Prime Minister has spurred a massive crackdown on organized crime, some of which is linked to cronies of Milosevic. It is clear that political, legal, and economic reforms are still needed in Serbia, and instead of reducing assistance by \$15 million, we should be considering additional support for programs and activities that actually bolster necessary reforms.

Let me wrap it up with just a few comments on Burma and Cambodia. As predicted, we have not seen progress in the dialogue between the State Peace and Development Council, SPDC, and Aung San Suu Kyi since her release from house arrest. The news out of Burma reports no signs of reconciliation, only continued repression of the people of Burma by the SPDC, brutal rapes of ethnic girls and women, and unwillingness to meet with the NLD, the U.N. special envoy, and ethnic nationalities. I applaud the State Department's recommendation to the White House that the regime in Burma should not be certified as making progress or cooperating with the U.S. on narcotics matters. It is clear that additional sanctions against the junta in Rangoon are warranted, and I intend to introduce legislation to this effect in the very near future.

PREPARED STATEMENT

In Cambodia, the attacks earlier this year against Thai interests in Phnom Penh, including the destruction of the Thai embassy, and the continuing assassination of opposition activists, monks, and judges underscores the lawlessness and impunity that has become the hallmark of the ruling Cambodian People's Party. In such a climate, talk of a Khmer Rouge tribunal using Cambodian courts and judges makes no sense. As parliamentary elections are scheduled in 3 months' time, I would encourage you to seize every opportunity to strengthen the hand of the democratic opposition in the run up to the polls.

With that, let me turn to Senator Leahy.  
[The statement follows:]

PREPARED STATEMENT OF SENATOR MITCH MCCONNELL

Welcome, Mr. Secretary. It is always a pleasure to have you appear before this Subcommittee.

Let me begin by expressing my gratitude to the President, his entire Cabinet, and our soldiers and sailors for the quick and decisive victory in Iraq. Once again, we have affirmed that we have the best trained, equipped and disciplined military in the world, and the best leaders on—and off—the battlefield.

The victory in Iraq belongs to the people of Iraq, and the challenge now falls upon the coalition to repair damaged infrastructure, establish democratic institutions, and vest the principles of freedom and justice in the consciousness and lives of the Iraqi people. While Congress included \$2.5 billion for these efforts in the war supplemental, the country's natural resources provide an advantage that will hopefully sustain and accelerate the reform and recovery process. The United Nations should immediately end the sanctions against Iraq so that profits from these resources can go directly to the people of Iraq.

While some believe that political transition in Iraq alone will be a harbinger of reform throughout the region, a more effective catalyst for change comes in the form of a trinity: (1) a quick and successful democratic transition in Iraq; (2) a workable roadmap for security and peace between Palestinians and Israelis that includes new Palestinian leadership that, first and foremost, actively combats terrorism; and, (3) a bold, new approach to America's support of political and legal reforms across that region.

If this trinity is realized, the impetus for political reforms throughout the Middle East will be inevitable and unstoppable. The Arab street will find a voice in democratic institutions and through responsive leaders chosen by ballots—not bullets, bullying, or Israel bashing.

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Shifting to North Korea, the Hermit Kingdom's ongoing bluster and its appalling repression of the North Korean people continue to be a grave concern to many of us. Although attention to North Korea's nuclear program may have been over-

shadowed by military operations in Iraq, I am hopeful the State Department will continue to focus on the myriad challenges posed by this nation. From nuclear weapons to narcotics trafficking and a potential North East Asian nuclear arms race, the North Korean regime poses a growing and dangerous threat to its neighbors and the United States.

Negotiating with North Korea is no small or easy task. This is a country that makes France look trustworthy.

Let me make a few comments on the fiscal year 2004 request for foreign operations. Over \$2 billion is requested for four new accounts that potentially offer more rapid responses to global crises. It would be helpful to the Subcommittee if you could summarize the objectives of each of these new accounts—the Millennium Challenge Account, the U.S. Emergency Fund for Complex Foreign Crises, the Famine Fund, and the Global AIDS Initiative—and provide greater detail on the management of these funds, and overlap, if any, with existing foreign assistance programs.

The funding request has again been reduced for the Assistance for Eastern Europe and Baltic States (SEED) and Assistance for Independent States (NIS) accounts by \$86 million and \$179 million, respectively, below the fiscal year 2003 enacted levels. While I fully support graduating countries that receive U.S. foreign aid, I remain concerned that too steep and rapid cuts may have unintended consequences.

A case in point is Serbia. The recent assassination of Serbian Prime Minister Zoran Djindic has spurred a massive crackdown on organized crime, some of which is linked to cronies of Slobodan Milosevic. It is clear that political, legal and economic reforms are still needed in Serbia, and instead of reducing assistance by \$15 million, we should be considering additional support for programs and activities that bolster these necessary reforms.

Let me close with a few brief comments on Burma and Cambodia. As predicted, we have not seen progress in the dialogue between the State Peace and Development Council (SPDC) and Daw Aung San Suu Kyi since her release from house arrest. The news out of Burma reports no signs of reconciliation—only continued repression of the people of Burma by the SPDC, brutal rapes of ethnic girls and women, and unwillingness to meet with the NLD, the U.N. special envoy, and ethnic nationalities. I applaud the State Department's recommendation to the White House that the regime in Burma should not be certified as making progress or cooperating with the United States on counternarcotics matters. It is clear that additional sanctions against the junta in Rangoon are warranted, and I intend to introduce legislation to this effect in the very near future.

In Cambodia, the attacks earlier this year against Thai interests in Phnom Penh—including the destruction of the Thai Embassy—and the continuing assassination of opposition activists, monks, and judges underscores the lawlessness and impunity that has become the hallmark of the ruling Cambodian People's Party. In such a climate, talk of a Khmer Rouge tribunal using Cambodian courts and judges makes no sense. As parliamentary elections are scheduled in three months time, I encourage the State Department to seize every opportunity to strengthen the hand of the democratic opposition in the run up to these polls.

Thank you again, Mr. Secretary, for appearing before this Subcommittee and I look forward to your testimony.

#### OPENING STATEMENT OF SENATOR PATRICK J. LEAHY

Senator LEAHY. Thank you, Mr. Chairman, and Mr. Secretary, I welcome you to the first hearing of the subcommittee this year. Many people here don't know about the exclusive club that Secretary Powell and I belong to. We both had the honor of speaking at the Mitch McConnell Center for Political Leadership in Louisville, Kentucky. We also, the Secretary and his lovely wife and my wife and I were married the same year, the same day, virtually the same hour.

I appreciated, Mr. Chairman, the opportunity that you gave to both the Secretary and myself. I also appreciate the Louisville Slugger they gave me. I am not much of a baseball player, but I have been practicing. I was actually thinking of changing my career, until realized that was your real motive in having me come down.

But I know the Secretary has a lot of demands on his time, and I am one who feels that President Bush made a superb choice in selecting the Secretary for this job. I think he has been an invaluable voice for our country.

We have worked hard in this subcommittee to give you the funds you need. We have exceeded the administration's budget request for foreign assistance every year. Senator McConnell and I worked closely to get bipartisan support for that. I hope that trend continues, because we face a lot of challenges.

The President's fiscal year 2004 budget is a step forward, but even if we appropriate every dime of it, it is still less than 1 percent of the total Federal budget. I don't think we can mount a credible challenge to global poverty, international terrorism, and all the other threats we face. We need more resources.

I am concerned about the development assistance account, which would be cut under this budget. The funding for child survival and health programs, including funding to combat infectious diseases, would be cut, and that is wrong. Aid to Russia would be cut. Aid to our Central American neighbors would remain a fraction of what it should be. There are a number of areas, from promoting renewable energy to building democracy, where we could do much more.

I know that the State Department's leading role in foreign policy goes back more than two centuries, when one of your predecessors, Thomas Jefferson, was the first Secretary of State. I am concerned that that role is under assault, including by some within the administration. Most recently, it was challenged by former Speaker of the House Newt Gingrich, now a member of the Defense Policy Board. He called the State Department a "broken instrument of diplomacy." I reject that view. I believe his attacks against people who work for you are unfair and misguided.

Like any government agency or congressional bodies and many private companies, there are things that could be done better, of course. We all know that. But there are many, many things that State Department employees do every single day that are not reported in the news, but they advance U.S. interests, they help make the world safer, and you and I know that you have some of the most talented men and women in the world working for you.

Now, Mr. Gingrich, like some in the administration who promote unilateralism and favor military force over diplomacy, claimed the war in Iraq involved 6 months of diplomatic failure and 1 month of military success. That is a misstatement of history. Diplomacy achieved important results, including a unanimous vote in the U.N. Security Council. It was senior Pentagon officials who engaged in name-calling, such as "Old Europe," and exacerbated tensions with key allies, making the State Department's job more difficult.

The war in Iraq has raised serious questions about the appropriate roles of the Pentagon and State Department in diplomacy and managing foreign aid programs. Over the past couple of years, we have seen the steady encroachment by the Pentagon into areas where the State Department and USAID have far more expertise, in formulating U.S. foreign policy and post-conflict reconstruction.

The Defense Department is second to none at fighting wars. I agree with Senator McConnell on that. We have the best men and women, the best Navy, the best Army, the best Air Force, the best

Marine Corps in the world. I also point out that a lot of that, though, began during a time when you, Mr. Secretary, were Chairman of the Joint Chiefs of Staff. The Pentagon has a role to play after conflicts end, but the State Department should have the final say when it comes to foreign policy and foreign assistance. It is disturbing that key officials in the administration seem determined to weaken the State Department.

PREPARED STATEMENT

I have a number of questions, and because of the shortness of time, I will pass on the others to your legislative affairs people, who I have found to be excellent in getting back to us with the information we need. Thank you, Mr. Chairman.

[The statement follows:]

PREPARED STATEMENT OF SENATOR PATRICK J. LEAHY

Mr. Secretary, welcome to the first hearing of this Subcommittee this year. I should begin by pointing out for those here who may not know, that Secretary Powell and I are both members of a very distinguished, selective club. We both had the honor of speaking at the Mitch McConnell Center for Political Leadership in Louisville, Kentucky.

I very much appreciated that opportunity. And I especially appreciated the gift of the Louisville Slugger baseball bat with my name on it. I have never been much of a baseball player, but Senator McConnell's gift might inspire me to consider a new career—maybe that was his reason for inviting me down there.

On a serious note, thank you, Mr. Secretary, for testifying today. I know you have a lot of other demands on your time. But I also know you agree that without the budget this Committee appropriates, you would not have the resources to do much of anything.

As I have said before, President Bush made a superb choice in selecting you for this position. You are doing an excellent job. You have been an invaluable voice of reason and moderation for the Administration's foreign policy.

This Subcommittee has worked hard to give you the funds you need. We have exceeded the Administration's budget request for foreign assistance every year. I hope this trend continues, because I do not believe we are yet responding adequately to the many global challenges we face.

The President's fiscal year 2004 budget request is a step forward, but even if we appropriate every dime he has asked for it will still amount to only about 1 percent of the Federal budget. How can we possibly mount a credible challenge to global poverty, international terrorism, and all the other threats we face, with so few resources? We cannot.

I am concerned about the Development Assistance account, which would be cut. Funding for Child Survival and Health Programs, including to combat infectious diseases, would be cut. This is foolhardy. Aid to Russia would be cut. Aid to our Central American neighbors would remain a fraction of what it should be. And there are many areas—from promoting renewable energy to building democracy, where we should be doing far more. We are missing so many opportunities.

Mr. Secretary, this Subcommittee knows well that the State Department's leading role in foreign policy dates back more than two centuries, when Thomas Jefferson became the first Secretary of State. But today that role is under assault, including by some within the Administration. Most recently, it was challenged by former Speaker of the House Newt Gingrich, now a member of the Defense Policy Board, when he called the State Department a "broken instrument of diplomacy."

I reject that view, and I believe his attacks against people who work for you are unfair and misguided.

Like any government agency and many private companies, there are things that the State Department could do better. I know that you are working on that. But there are many, many things that State Department employees do every day, that are not reported on CNN, to advance U.S. interests and help to make the world safer.

Mr. Gingrich, like those in the Administration who promote unilateralism and favor military force over diplomacy, claimed that the war in Iraq involved "six

months of diplomatic failure and one month of military success." That is a misstatement of history.

I believe the Administration abandoned the diplomatic track too soon. Diplomacy achieved important results, including a unanimous vote in the U.N. Security Council. It was senior Pentagon officials who engaged in name-calling such as "Old-Europe" and exacerbated tensions with key allies—making the State Department's job more difficult.

Like everyone in this room, I am glad that Saddam Hussein is no longer in power. However, had we been more patient, I believe we could have dealt with Saddam Hussein without damaging relations with important allies. These were not mutually exclusive goals.

The war in Iraq has raised serious questions about the appropriate roles of the Pentagon and the State Department in diplomacy and in managing foreign aid programs. Over the past couple of years, we have seen the steady encroachment by the Pentagon into areas where the State Department and USAID have far more expertise—from formulating U.S. foreign policy to post-conflict reconstruction.

The Defense Department is second to none at fighting wars. It also has a role to play after conflicts end, but the State Department should have the final say when it comes to foreign policy and foreign assistance. It is disturbing that key officials in this Administration seem determined to weaken the State Department.

Mr. Secretary, I will only have time to ask a few of the many questions I have today. Those that I do not have time for I will pass on to your Legislative Affairs staff, who do an excellent job of quickly getting us the information we ask for. We appreciate that very much.

Senator MCCONNELL. Thank you, Senator Leahy.  
Mr. Secretary.

#### SUMMARY STATEMENT OF HON. COLIN L. POWELL

Secretary POWELL. Thank you very much, Mr. Chairman. Thank you for your opening remarks and observations, and thank you also, Senator Leahy, for your comments.

Before beginning my brief oral statement, I would like to offer a full statement for the record, Mr. Chairman.

Senator MCCONNELL. Without objection, it will be included in the record.

Secretary POWELL. And let me respond to a few of the points that were made in your opening statements, if I may.

With respect to oil revenue and how to use it in Iraq, the interesting concept that has been used in Alaska for so many years is under consideration. We are looking at that. Senator Stevens has educated me over the years as to the merit of this approach to the use of oil, a portion of the revenues going into a fund which then can be used to compensate the people in a way that they can make a choice as to how the wealth of the state is being used. I think that is a concept that applies in the case of Iraq, at least for consideration.

The ultimate judgment, of course, will be up to the Iraqi people. We made it clear that this is oil that belongs to them, for them, by them. They will figure out how to use it and we will help them to get started down the road to responsible stewardship of this marvelous treasure that the Iraqi people own.

I am sure, in the course of our questioning I can get into specific answers on Iraq, the Middle East, the Middle East peace process and what has happened in the last 24 hours with respect to the appointment of a Palestinian Prime Minister. Earlier today, as a result of that appointment and his confirmation by the PLC, the Palestinian legislature, we presented the Road Map. Earlier this morning, Ambassador Kurtzer, Ambassador to Israel, presented the

Road Map to Prime Minister Sharon. Representatives of the courts have presented the Road Map to the Prime Minister now, first Prime Minister of the Palestinian Authority, Mr. Mahmoud Abbas. I had an opportunity to call both Prime Ministers early this morning to encourage them to do everything in their respective powers to make sure we get a good start down this path to peace. A new opportunity is being created. It is an opportunity that must not be lost, and I was very pleased at the response from both Prime Ministers, who are anxious to move forward.

Senator, I do share your concerns about Burma and Cambodia, as well. I will be passing through Cambodia briefly in a few weeks' time, in a month and a half or so, attending the ASEAN regional forum meetings there. I won't be there for a very long period of time, but enough to at least talk to my ASEAN colleagues about the situation in the country we will be visiting and also have some conversation with the leadership there and, once again, express our concerns to them.

Senator Leahy, let me especially thank you for your comments about the Department of State, and let me express my thanks to this committee for the confidence that you have placed in the men and women of the State Department. Just as we have the finest soldiers, sailors, airmen, and marines, I can tell you, we have the finest foreign service officers and civil servants and foreign service nationals working for the interest of the United States of America.

When I became Secretary, I had about five reports on my desk of improvements that people suggested could be made in the State Department from different task forces and panels. I had been on one of those panels and had made the recommendations for that panel, and now I am the Secretary of State to implement them. So we are always willing to receive helpful, constructive comment as to how to improve our operation. With the support of this committee and other committees in the Congress and the Congress, we have done a lot with respect to recruiting, with respect to security, with respect to putting a sense of purpose and morale into our troops, esprit de corps in all the members of our State Department family.

I send young State Department officers out to the most difficult places in the world to serve their country, taking their families with them where there may not be any hospital care, where there may not be any school for their kids, or where they are separated from their families for a longer period of time than the average soldier gets separated from his family. They go willingly and they go with a smile on their face because they are happy to serve the American people.

Now, ever since Thomas Jefferson was sworn in as the first Secretary of State, an uninterrupted line of Secretaries of State, from number 1 to number 65, have been criticized at one time or another for being diplomats: for trying to find peaceful solutions, to building friendships around the world, to creating alliances. That is what we do. We do it damn well, and I am not going to apologize to anybody. I am on the offense for the people who work in my Department, doing a great job, and if you come after them, come after them with legitimate criticism and we will respond to that. We are not above criticism.

But if you come after us just to come after us, you are in for a fight. I am going to fight back and I am going to protect my Department and my people. I am also going to defend the policies of the President, which were attacked even more vigorously than any sideways attack on the contributions and the loyalty and the dedication and the courage and the willingness to serve of the men and women of the State Department. Hopefully, we can pursue the issue of how the State Department is functioning in a reasonable manner, with constructive comments welcomed and open debate taking place.

With respect to what is going on within the administration, it is not the first time I have seen discussions within the administration between one Department or another. I have been in four straight administrations at a senior level, and thus it has been and thus it has always been, and thus it should be. There should be tension within the national security team, and from that tension arguments are surfaced for the President, and the one who decides, the one who makes the foreign policy decisions for the United States of America is not the Secretary of State or the Secretary of Defense or the National Security Advisor. It is the President. It is our job, my job and Don's job and Condi's job and the Vice President's job and George Tenet's job to give the President our best advice, and the President is the one who decides.

Complicated issues come along. How do you go into a place like Iraq, which is a military operation that has to be run by the military. The initial reconstruction period has to be under the control of the military and there has to be unity of command and purpose. We fully appreciate and support that. I have, I think it is now five ambassadors working for General Franks and for Jay Garner.

But in due course, as a government is set up, the interim authority being the embryonic state of that government, as it grows into a fully representative government for the people of Iraq, slowly but surely, that will shift over. USAID and non-governmental organizations and bodies of the United Nations and other international institutions will play a much more important and significant role during that transition. And so will the State Department, as we put in place our diplomatic presence, as we put in place an embassy, and as we get back to normal sorts of relations.

Now, in this transition, the gears will grind from time to time and it is my job and Don's job and Condi and the Vice President to put some oil on those gears to make sure it isn't a distraction. All of these things are manageable, and what we have is the finest group of young men and women working for the security of this nation and our foreign policy interests, whether they are wearing a suit similar to mine or wearing a suit similar to the one I used to wear. We are all part of one team trying to get the job done for the American people.

Mr. Chairman, if I may, I will briefly summarize my statement because I think you have had a chance to examine it. It has been before the members of the committee for some time now.

I am pleased to appear, to testify in support of the President's International Affairs budget for fiscal year 2004. Funding requested for the next fiscal year for the Department, USAID, and other foreign affairs agencies is \$28.5 billion. The funding will

allow the United States to target security and economic assistance to sustain key countries supporting us in the war on terrorism; it will allow us to launch the Millennium Challenge Account, a new partnership that I think revolutionizes the way in which we help the neediest of nations around the world who are committed to democracy and the free enterprise system.

The budget will also allow us to strengthen the United States' commitment and global commitment to fighting HIV/AIDS and other humanitarian hardships. It will allow us to combat illegal drugs in the Andean region, as well as bolster democracy in Colombia. I will be meeting later this afternoon with President Bush and President Uribe to get a report from President Uribe on his strategy for going after narco-traffickers in Colombia.

It will also allow us to reinforce America's world class diplomatic force. I have often said to this committee that I am not only foreign policy advisor, but leader and manager of the Department, and I take that charge seriously. We have done a great job in starting to hire people again. In the 3 years that I have been responsible for the budget and in the 25 months that I have been Secretary of State, over that period, we have brought in a little over 1,100 new hires over and above attrition.

We are finally putting blood back into the Department, new people coming in. Tens upon tens of thousands of young Americans are signing up to take the Foreign Service exam. I swore in another class last week. Three weeks ago on a Saturday, 20,000 Americans assembled to take the Foreign Service exam at sites all over the country. They want to be a part of this team. They are proud of what this team is doing and they want to be a part of it, and as a result of the generosity and understanding and support of the Congress, we are now able to hire people.

For those who criticize the Department who were in Congress in the 1990s, they ought to take a look at the record as to how they spent part of the 1990s cutting the budget of the Department of State and prohibiting the Department of State from hiring individuals that were needed to keep strength and vitality within the Department.

I hope that you will continue to support me in those efforts, not only to bring first class people into a first class force, but also to bring state-of-the-art information technology to the Department. That was also one of my commitments. I wanted to make sure that every member of the Department of State anywhere in the world had access to the Internet. We are 24/7, instantaneous communications, instantaneous decision making. We can't be typing out cables on teletypes any longer. Before I leave as Secretary of State, I want the entire Department wired so we are talking to each other electronically and instantaneously through the power of the Internet in a completely secure, classified manner, and every member of the Department hooked up.

I also committed myself and to the President that we would wipe the slate clean and straighten out our overseas building operation. We have done that, and I think we can all be proud of the job that General Williams and his great team have done. Our embassies are coming in on time, under cost, and secure, and beyond that, they are attractive and we are meeting the standards that the Congress

set for us. I need your continued support and the support of all Members of Congress for embassy security and construction and other matters related to the infrastructure needs of the Department.

The number one priority with respect to our Foreign Operations budget is to fight and win the global war on terrorism. This budget furthers this goal by providing economic, military, and democracy assistance to key foreign partners and allies, including \$4.7 billion to countries that have joined us in the war on terrorism. Of this amount, the President's budget provides \$657 million for Afghanistan, \$460 million for Jordan, \$395 million for Pakistan, \$255 million for Turkey, \$136 million for Indonesia, and \$87 million for the Philippines.

In Afghanistan, the funding will be used to fulfill our commitment to rebuild Afghanistan's road network, especially the important ring road that really connects the country. And now that warm weather is there, paving will begin very soon and I hope we will have most of the work done by the end of the year.

In addition, we are using funding of this kind to establish security throughout the country and putting in place an Afghan police force, border guards, and working with the Pentagon on the creation of an Afghan national army. Our assistance will be coordinated with the Afghan government. We want to make sure the money is seen as going to the central government to empower President Karzai. We are also working with other international donors and with the United Nations.

I want to emphasize our efforts to decrease the threats posed by terrorist states, by terrorist groups, rogue states, other non-state actors with regard to weapons of mass destruction and related technology. We have to strengthen our partnerships with countries that share our views in dealing with the threat of terrorism and resolving regional conflicts.

The budget also promotes international peace and prosperity by launching the Millennium Challenge Account. This will be an independent government corporation. It will have a board that I will chair with other cabinet officers supervising the work of the corporation. There is a transition team now in the Department of State starting to put the corporation together and we will be briefing the Congress regularly as this work proceeds.

As President Bush told African leaders earlier this year, this aid will go to nations that are committed to economic freedom, democracy, rooting out corruption, making sure that societies are resting on the rule of law, and which have respect for the rights of their people. They just need help to get going, to get started, to get a leg up so that they can then attract the kind of investment and participate in the kind of global trading activity needed to generate wealth within their country.

The President's budget request also offers hope and a helping hand to countries facing health catastrophes, poverty, and despair. The budget includes more than \$1 billion to meet the needs of refugees and internally displaced peoples. The budget also provides more than \$1.3 billion to combat the global HIV/AIDS epidemic, the worst weapon of mass destruction on the face of the earth today. The President's total budget for HIV/AIDS is over \$2 billion,

which includes the first year's funding for the new emergency plan for HIV/AIDS relief.

The budget also includes almost half-a-billion dollars for Colombia. The funding will support Colombian President Uribe's unified campaign against terrorists, and the campaign is also now directed against terrorists and the drug trade that fuels the activities of terrorists. The aim is to secure democracy, extend security, and restore economic prosperity to Colombia. Our total Andean counter-drug initiative is \$731 million, and that includes restarting the air bridge denial program and stepped up eradication in alternative development efforts and technical assistance to strengthen Colombia's police and judicial institutions.

Mr. Chairman, you talked about the Middle East and why we have to move forward and bring hope to those people. In our budget, we have included \$145 million for the Middle East Partnership Initiative. This initiative gives us a framework and funding for working with the Arab world, to expand educational and economic opportunities, empower women, and strengthen civil society and the rule of law.

The peoples and governments of the Middle East face daunting challenges. Their economies are stagnant, unable to provide the jobs needed for millions of young people who are entering the workplace each year. Too many of their governments appear closed and unresponsive to the needs of their citizens and their schools are not equipping students to succeed in today's globalized world.

In the programs these dollars will fund, we will work with our Nation's groups and individuals to bridge the jobs gap with economic reform, business investment, and private sector development. We will close the freedom gap with projects to strengthen civil society, expand political participation, and lift the voices of women, and we will bridge the knowledge gap with better schools and more opportunity for higher education.

Finally, Mr. Chairman, I want to address the issue of hunger, famine, and food aid. Historically, America has been the largest donor of assistance for victims of famine and food emergencies. Thanks to the help of the Appropriations Committees, Congress provides \$1.44 billion in urgently needed Public Law 480 Title II food aid for fiscal year 2003. Our 2004 food aid request of \$1.19 billion will be complemented with a new famine fund, one of the funds that you touched on, sir, a famine fund initiative of \$200 million. This initiative will provide emergency food grants for support to meet crisis situations on a case-by-case basis, giving us that extra flexibility to respond where needed. I really need this fund. Too often, I find when faced with a sudden problem, I am robbing Peter to pay Paul and someone comes up short. This will give me and the President the needed flexibility to respond to crises.

#### PREPARED STATEMENT

Mr. Chairman, that ends my opening remarks and I am now pleased to take your questions or respond in depth to any of the particular issues you raise in your opening statements.

Senator McCONNELL. Thank you, Mr. Secretary.

[The statement follows:]

## PREPARED STATEMENT OF COLIN L. POWELL

Mr. Chairman, members of the subcommittee, I am pleased to appear before you to testify in support of the President's International Affairs Budget for fiscal year 2004. Funding requested for fiscal year 2004 for the Department of State, USAID, and other foreign affairs agencies is \$28.5 billion.

The President's Budget will allow the United States to:

- Target security and economic assistance to sustain key countries supporting us in the war on terrorism and helping us to stem the proliferation of weapons of mass destruction;
- Launch the Millennium Challenge Account—a new partnership generating support to countries that rule justly, invest in their people, and encourage economic freedom;
- Strengthen the United States and global commitment to fighting HIV/AIDS and alleviating humanitarian hardships;
- Combat illegal drugs in the Andean Region of South America, as well as bolster democracy in one of that region's most important countries, Colombia; and
- Reinforce America's world-class diplomatic force, focusing on the people, places, and tools needed to promote our foreign policies around the world.

I am particularly proud of the last bullet, Mr. Chairman, because for the past two years I have concentrated on each of my jobs—primary foreign policy advisor to the President and Chief Executive Officer of the State Department.

I know this subcommittee's specific oversight responsibilities lie in the area of Foreign Operations, but I also know that you are all members of the larger Appropriations Committee. In that capacity, I ask for your strong support for funding for my CEO initiatives. And I would like to highlight for you three of the most important of those initiatives.

## THE CEO RESPONSIBILITIES: TAKING CARE OF OPERATIONS

First, we have been reinforcing our diplomatic force for two years and we will continue in fiscal year 2004. We will hire 399 more professionals to help the President carry out the nation's foreign policy. This hiring will bring us to the 1,100-plus new foreign and civil service officers we set out to hire over the first three years to bring the Department's personnel back in line with its diplomatic workload. Moreover, completion of these hires will allow us the flexibility to train and educate all of our officers as they should be trained and educated. So I am proud of that accomplishment and want to thank you for helping me bring it about.

Second, I promised to bring state-of-the-art communications capability to the Department—because people who can't communicate rapidly and effectively in today's globalizing world can't carry out our foreign policy. We are approaching our goal in that regard as well. In both unclassified and classified communications capability, including desk-top access to the Internet for every man and woman at State, we will be there at the end of 2003. The budget before you will sustain these gains and continue our information technology modernization effort.

Finally, with respect to my CEO role, I wanted to sweep the slate clean and completely revamp the way we construct our embassies and other overseas buildings, as well as improve the way we secure our men and women who occupy them. As you well know, that last task is a long-term, almost never-ending one, particularly in this time of heightened terrorist activities. But we are well on the way to implementing both the construction and the security tasks in a better way, in a less expensive way, and in a way that subsequent CEOs can continue and improve on.

Mr. Chairman, the President's fiscal year 2004 discretionary request for the Department of State and Related Agencies is \$8.497 billion. As you review this funding in the larger committee, I ask for your support for these dollars.

Let me turn now to your primary oversight responsibility, Foreign Operations.

## THE FOREIGN POLICY ADVISOR RESPONSIBILITIES: FUNDING AMERICA'S DIPLOMACY AROUND THE WORLD

The fiscal year 2004 budget proposes several initiatives to advance U.S. national security interests and preserve American leadership. The fiscal year 2004 Foreign Operations budget that funds programs for the Department State, USAID and other foreign affairs agencies is \$18.8 billion. Today, our number one priority is to fight and win the global war on terrorism. The budget furthers this goal by providing economic, military, and democracy assistance to key foreign partners and allies, including \$4.7 billion to countries that have joined us in the war on terrorism.

The budget also promotes international peace and prosperity by launching the most innovative approach to U.S. foreign assistance in more than forty years. The

new Millennium Challenge Account (MCA), an independent government corporation funded at \$1.3 billion will redefine "aid". As President Bush told African leaders meeting in Mauritius recently, this aid will go to "nations that encourage economic freedom, root out corruption, and respect the rights of their people."

Moreover, this budget offers hope and a helping hand to countries facing health catastrophes, poverty and despair, and humanitarian disasters. It provides \$1.345 billion to combat the global HIV/AIDS epidemic, TB, and Malaria; more than \$1 billion to meet the needs of refugees and internally displaced peoples; and \$200 million in emergency food assistance to support dire famine needs. In addition, the budget includes a new \$100 million proposal to enable swift responses to complex foreign crises, including support for peace and humanitarian intervention operations to prevent or respond to foreign territorial disputes, armed ethnic and civil conflicts that pose threats to regional and international peace, and acts of ethnic cleansing, mass killing, or genocide.

Mr. Chairman, let me give you some details.

The United States is successfully prosecuting the global war on terrorism on a number of fronts. We are providing extensive assistance to states on the front lines of the anti-terror struggle. Working with our international partners bilaterally and through multilateral organizations, we have frozen more than \$110 million in terrorist assets, launched new initiatives to secure global networks of commerce and communication, and significantly increased the cooperation of our law enforcement and intelligence communities. Afghanistan is no longer a haven for al-Qaeda. We are now working with the Afghan Authority, other governments, international organizations, and NGOs to rebuild Afghanistan. Around the world we are combating the unholy alliance of drug traffickers and terrorists who threaten the internal stability of countries. We are leading the international effort to prevent weapons of mass destruction from falling into the hands of those who would do harm to us and others. At the same time, we are rejuvenating and expanding our public diplomacy efforts worldwide.

#### ASSISTANCE TO FRONTLINE STATES

The fiscal year 2004 International Affairs budget provides approximately \$4.7 billion in assistance to the Frontline States, which have joined with us in the war on terrorism. This funding will provide crucial assistance to enable these countries to strengthen their economies, internal counter-terrorism capabilities and border controls.

Of this amount, the President's Budget provides \$657 million for Afghanistan, \$460 million for Jordan, \$395 million for Pakistan, \$255 million for Turkey, \$136 million for Indonesia, and \$87 million for the Philippines. In Afghanistan, the funding will be used to fulfill our commitment to rebuild Afghanistan's road network; establish security through a national military and national police force, including counter-terrorism and counter-narcotics components; establish broad-based and accountable governance through democratic institutions and an active civil society; ensure a peace dividend for the Afghan people through economic reconstruction; and provide humanitarian assistance to sustain returning refugees and displaced persons. United States assistance will continue to be coordinated with the Afghan government, the United Nations, and other international donors.

The State Department's Anti-Terrorism Assistance (ATA) program will continue to provide frontline states a full complement of training courses, such as a course on how to conduct a post-terrorist attack investigation or how to respond to a WMD event. The budget will also fund additional equipment grants to sustain the skills and capabilities acquired in the ATA courses. It will support as well in-country training programs in Afghanistan, Pakistan, and Indonesia.

#### CENTRAL ASIA AND FREEDOM SUPPORT ACT NATIONS

In fiscal year 2004, over \$157 million in Freedom Support Act (FSA) funding will go to assistance programs in the Central Asian states. The fiscal year 2004 budget continues to focus FSA funds to programs in Uzbekistan, Kyrgyzstan and Tajikistan, recognizing that Central Asia is of strategic importance to United States foreign policy objectives. The fiscal year 2004 assistance level for Uzbekistan, Kyrgyzstan and Tajikistan is 15 percent above 2003. These funds will support civil society development, small business promotion, conflict reduction, and economic reform in the region. These efforts are designed to promote economic development and strengthen the rule of law in order to reduce the appeal of extremist movements and stem the flow of illegal drugs that finance terrorist activities.

Funding levels and country distributions for the FSA nations reflect shifting priorities in the region. For example, after more than 10 years of high levels of assist-

ance, it is time to begin the process of graduating countries in this region from economic assistance, as we have done with countries in Eastern Europe that have made sufficient progress in the transition to market-based democracies. United States economic assistance to Russia and Ukraine will begin phasing down in fiscal year 2004, a decrease of 32 percent from 2003, moving these countries towards graduation.

#### COMBATING ILLEGAL DRUGS AND STEMMING TERRORISM

The President's request for \$731 million for the Andean Counterdrug Initiative includes \$463 million for Colombia. An additional \$110 million in military assistance to Colombia will support Colombian President Uribe's unified campaign against terrorists and the drug trade that fuels their activities. The aim is to secure democracy, extend security, and restore economic prosperity to Colombia and prevent the narco-terrorists from spreading instability to the broader Andean region. Critical components of this effort include resumption of the Airbridge Denial program to stop internal and cross-border aerial trafficking in illicit drugs, stepped up eradication and alternative development efforts, and technical assistance to strengthen Colombia's police and judicial institutions.

#### HALTING ACCESS OF ROGUE STATES AND TERRORISTS TO WEAPONS OF MASS DESTRUCTION

Decreasing the threats posed by terrorist groups, rogue states, and other non-state actors requires halting the spread of weapons of mass destruction (WMD) and related technology. To achieve this goal, we must strengthen partnerships with countries that share our views in dealing with the threat of terrorism and resolving regional conflicts.

The fiscal year 2004 budget requests \$35 million for the Nonproliferation and Disarmament Fund (NDF), more than double the fiscal year 2003 request, increases funding for overseas Export Controls and Border Security (EXBS) to \$40 million, and supports additional funding for Science Centers and Bio-Chem Redirection Programs.

Funding increases requested for the NDF and EXBS programs seek to prevent weapons of mass destruction from falling into the hands of terrorist groups or states by preventing their movement across borders and destroying or safeguarding known quantities of weapons or source material. The Science Centers and Bio-Chem Redirection programs support the same goals by engaging former Soviet weapons scientists and engineers in peaceful scientific activities, providing them an alternative to marketing their skills to states or groups of concern.

#### MILLENNIUM CHALLENGE ACCOUNT

The fiscal year 2004 Budget request of \$1.3 billion for the new Millennium Challenge Account (MCA) as a government corporation fulfills the President's March 2002 pledge to create a new bilateral assistance program, markedly different from existing models. This budget is a huge step towards the President's commitment of \$5 billion in annual funding for the MCA by 2006, a 50 percent increase in core development assistance.

The MCA supplements U.S. commitments to humanitarian assistance and existing development aid programs funded and implemented by USAID. It will assist developing countries that make sound policy decisions and demonstrate solid performance on economic growth and reducing poverty.

—MCA funds will go only to selected developing countries that demonstrate a commitment to sound policies—based on clear, concrete and objective criteria.

To become eligible for MCA resources, countries must demonstrate their commitment to economic opportunity, investing in people, and good governance.

—Resources will be available through agreements with recipient countries that specify a limited number of clear measurable goals, activities, and benchmarks, and financial accountability standards.

The MCA will be administered by a new government corporation designed to support innovative strategies and to ensure accountability for measurable results. The corporation will be supervised by a Board of Directors composed of Cabinet level officials and chaired by the Secretary of State. Personnel will be drawn from a variety of government agencies and non-government institutions and serve limited-term appointments.

In fiscal year 2004, countries eligible to borrow from the International Development Association (IDA), and which have per capita incomes below \$1,435, (the historical IDA cutoff) will be considered. In 2005, all countries with incomes below

\$1,435 will be considered. In 2006, all countries with incomes up to \$2,975 (the current World Bank cutoff for lower middle income countries) will be eligible.

The selection process will use 16 indicators to assess national performance—these indicators being relative to governing justly, investing in people, and encouraging economic freedom. These indicators were chosen because of the quality and objectivity of their data, country coverage, public availability, and correlation with growth and poverty reduction. The results of a review of the indicators will be used by the MCA Board of Directors to make a final recommendation to the President on a list of MCA countries.

#### THE U.S.-MIDDLE EAST PARTNERSHIP INITIATIVE

The President's Budget includes \$145 million for the Middle East Partnership Initiative (MEPI). This initiative gives us a framework and funding for working with the Arab world to expand educational and economic opportunities, empower women, and strengthen civil society and the rule of law. The peoples and governments of the Middle East face daunting human challenges. Their economies are stagnant and unable to provide jobs for millions of young people entering the workplace each year. Too many of their governments appear closed and unresponsive to the needs of their citizens. And their schools are not equipping students to succeed in today's globalizing world. With the programs of the MEPI, we will work with Arab governments, groups, and individuals to bridge the jobs gap with economic reform, business investment, and private sector development; close the freedom gap with projects to strengthen civil society, expand political participation, and lift the voices of women; and bridge the knowledge gap with better schools and more opportunities for higher education. The U.S.-Middle East Partnership Initiative is an investment in a more stable, peaceful, prosperous, and democratic Arab world.

The timing now is critical. As we work to establish a peaceful and prosperous Iraq, and as we commit our energy and resources to realizing President Bush's vision of two states—Israel and Palestine—living side by side, we must also work to ensure that the Middle East as a region does not fall farther and farther behind with respect to economic and political freedom. We need these MEPI dollars to assist us in laying the broader foundation for a better tomorrow for all.

#### FIGHTING THE GLOBAL AIDS PANDEMIC

The fiscal year 2004 budget continues the Administration's commitment to combat HIV/AIDS and to help bring care and treatment to infected people overseas. The HIV/AIDS pandemic has killed 23 million of the 63 million people it has infected to date, and left 14 million orphans worldwide. President Bush has made fighting this pandemic a priority of U.S. foreign policy.

The President believes the global community can—and must—do more to halt the advance of the pandemic, and that the United States should lead by example. Thus, the President's fiscal year 2004 budget request signals a further, massive increase in resources to combat the HIV/AIDS pandemic. As described in the State of the Union, the President is committing to provide a total of \$15 billion over the next five years to turn the tide in the war on HIV/AIDS, beginning with over \$2 billion in the fiscal year 2004 budget request and rising thereafter. These funds will be targeted on the hardest hit countries, especially in Africa and the Caribbean with the objective of achieving dramatic on-the-ground results. This new dramatic commitment is reflected in the Administration's over \$2 billion fiscal year 2004 budget request, which includes:

- State Department—\$450 million;
- USAID—\$895 million, including \$100 million for the Global Fund, \$150 million for the International Mother and Child HIV Prevention; and \$105 million for TB and Malaria; and
- HHS/CDC/NIH—\$695 million, including \$100 million for the Global Fund, \$150 million for the International Mother and Child HIV Prevention, and \$15 million for TB and Malaria.

In order to ensure accountability for results, the President has asked me to establish at State a new Special Coordinator for International HIV/AIDS Assistance. The Special Coordinator will work for me and be responsible for coordinating all international HIV/AIDS programs and efforts of the agencies that implement them.

#### HUNGER AND FAMINE

Historically the United States has been the largest donor of assistance for victims of protracted and emergency food crises. Congress provided \$1.44 billion in USAID-administered food aid for fiscal year 2003. Our fiscal year 2004 food aid request of \$1.19 billion will be complemented with a Famine Fund, as I mentioned before,

which is a \$200 million fund with flexible authorities to provide emergency food, grants or support to meet dire needs on a case-by-case basis.

#### SUPPLEMENTAL FUNDING

As you are aware, Mr. Chairman, on April 16 President Bush signed the Supplemental legislation in which the Congress granted the President over \$79 billion, with almost \$8.2 billion of that for International Affairs. I want to thank you and our other oversight committees as well as the entire Congress for being so responsive. We have a huge challenge facing us in Iraq and these dollars will go a long way toward helping us meet that challenge successfully.

#### SUMMARY

Mr. Chairman, members of the subcommittee, to advance America's interests around the world we need the dollars in the President's Budget for fiscal year 2004 and his supplemental request for this fiscal year. We need the dollars under both of my hats—CEO and principal foreign policy advisor. The times we live in are troubled to be sure, but I believe there is every bit as much opportunity in the days ahead as there is danger. American leadership is essential to dealing with both the danger and the opportunity. With regard to the Department of State, the President's fiscal year 2004 budget is crucial to the exercise of that leadership.

Thank you and I will be pleased to answer your questions.

Senator MCCONNELL. What we will do now is go to the chairman of the full committee, Senator Stevens. We will have 5-minute rounds of questions, which will give us the maximum opportunity to give everyone a chance to participate. Senator Stevens.

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

Mr. Secretary, I welcome your statement and the whole committee respects this budget that has been presented for you. I heard your comments about your involvement in the intergovernmental process. If there is a crucible down there, I am not worrying about you being the one that is being ground down, Mr. Secretary.

But I obviously support the AIDS/HIV initiative that you have and I hope that you will keep us informed as much as you can about the process of the cooperation you are talking about.

#### RUSSIAN AID

I am concerned about one item here, though. I look across from several cities in my State and see Eastern Russia. This budget cuts the Russian aid by more than 50 percent. When the cuts come in a program like that for Russia, or any program that affects a country like Russia, it is the rural parts of the country that are ignored after the cuts take place. The Russian Far East is very much in need of help. It is still lagging behind their whole country in terms of coming out of the processes that have strangled them during the period of the Soviet days. I want to urge you to take a look again at that.

Alaskans go over to the Russian Far East quite often and we see the conditions over there and know that they need help. I think that this cut in the budget that is before us for Russia is much too deep, Mr. Secretary, and I would like to find some way to be assured that we can find a way to allocate more money into the areas where there is a great need for assistance from us to assure the processes of democracy are working in Russia.

I do appreciate your being here and I hope you will excuse me, Mr. Chairman. I welcome you here, my friend, and look forward to working with you.

Secretary POWELL. Thank you, Mr. Chairman, and thank you for your continuing support and the support of the full committee and I will look at that account again. It is just a matter of where the greatest needs are and the ability of Russia to generate its own revenues, especially through its oil sales, to deal with these problems.

Senator STEVENS. Thank you very much.

Senator MCCONNELL. Thank you, Senator Stevens.

#### SYRIA

Mr. Secretary, with the liberation of Iraq, there is renewed attention to its neighbors. We look at Syria with a little more focus than some of us did in the past, and observe a two-decade-old occupation of Lebanon and ongoing support for terrorism. We look at the other neighbor of Iraq—Iran—and we see a country that aspires to be a nuclear power and a country that clearly supports terrorist organizations.

On the assumption that you are going to be focusing even more on both of these countries, could you discuss the prospects for convincing the Syrians that it might be time to leave Lebanon and discontinue support for terrorist groups. Could you also discuss what prospects, if any, there are for discouraging the Iranians from becoming a nuclear power or to continue to support terrorism?

Secretary POWELL. Mr. Chairman, I will be leaving this evening for Europe, make a couple of stops in Europe, in Spain and Albania, and then I will be heading into Syria to have conversations with my colleague, Foreign Minister Charaa and President Bashar Assad, on all of the issues that you just touched on and others, as well.

I think the last several weeks have given Syria a rather sobering experience as to the changing circumstances in the region, and there was a great deal of chatter a few weeks back about whether or not the U.S. Army was going to take a left at Baghdad and go on up to Syria. That was not the case. The President did not intend that. But I think that a clear indication was given that the world was losing patience with those nations that support terrorism, those nations that continue to move down a path toward development of weapons of mass destruction, those nations that do not mean well by their neighbors and for their neighbors.

We also made it clear to the Syrians that during the course of Operation Iraqi Freedom, if they continued to allow unhindered access going into Iraq of Fedayeen or weapons or equipment that would sustain Baghdad, that was not a wise policy choice on their part; and if they allowed people to find haven in Damascus or other parts of Syria when it was clear that the regime was collapsing, that also was not a wise policy choice. The Syrians took note of all this, very careful note of it, and then the President asked me to get in touch with the Syrians and to go and have a conversation with them.

What I will say to my Syrian colleagues and to President Bashar Assad is that there are two things that are happening that have fundamentally changed the circumstances in the region. One, Iraq. You are about to have a neighbor that is not a dictatorship anymore, not a regime that oppresses its people. Quite the contrary,

we see people demonstrating. We see people performing religious pilgrimages that a Muslim leader kept them from performing for 25 years, and now they are doing it and they are doing it freely and peacefully.

You are seeing a regime that is about to be put on a democratic footing that will be representative of all of its people. You might want to watch how that is happening, because it fundamentally changes your economic relationship with this country, your political relationship with this country, and just your door-to-door relationship with this country. No more subsidized oil coming your way. No more free oil coming your way. You ought to take a look at that.

Today, we released the Road Map to both parties, Palestine and Israel; the Palestinian authority hoping to become a Palestine state in due course committed themselves to trying again in the face of enormous difficulty, but trying again to move down a path of peace.

We are also interested in a comprehensive solution. A comprehensive solution at the end of the day must include Syria and Lebanon. And if Syria wants to be a part of that comprehensive solution, and I believe it does—President Bashar Assad has said it to me on a couple of occasions—then it has to review the policies it has been following with respect to the support of terrorist activities and the control they have over forces in Lebanon that present a threat to Northern Israel.

So we will have a good discussion of all of these issues and I will gauge the willingness of Syria to engage with us. I am sure these meetings will be candid, straightforward, friendly, and I hope they will lead to at least the beginning of a changed point of view. But it is a decision that Syrians will have to make as to what kind of future they wish to be a part of and to see take place in their own country.

#### IRAN

Senator MCCONNELL. We are out of time, but do you want to touch quickly on Iran?

Secretary POWELL. If I may, sir. Forgive me for practicing my talking points a day before my trip.

We have a similar situation where Iran continues to support terrorist activities. It is on our list of states that do so and we have seen even more evidence in recent months of their pursuit of nuclear technology and ultimately, obviously, a nuclear weapon. A nation with all that oil doesn't have an immediately obvious need for nuclear power to generate electricity. There should be cheaper alternatives, so we have always been suspicious of their efforts. In recent months we have evidence to suggest we were correct in our suspicions and now the whole world ought to be very suspicious.

But there is a churning taking place within Iran. There is a great deal of foment there. So many of the Iranian young people are expressing a view that there should be a better life for them. They are expressing dissatisfaction in different ways, through demonstrations and through their participation as best they can in the political process. They want to have a choice in their destiny and their future and there is some strain between the political figures and the religious figures within the country as they try to accommodate what I believe are the desires of the younger population.

This gives us something to work with. I think we can appeal to that young population, give them a message, give them the example of Iraq, of what Iran should also be thinking about and considering as they see this fundamental change taking place just across the border, in a nation that was their sworn enemy for the last 20 years.

So I think we have ways of influencing Iran, as well, not quite as directly as we influenced Iraq, I might say, or we might be able to influence Syria, but there are ways to influence Iran. I think all of them are now taking another look at their situation and the reality of these new circumstances as we move forward.

Senator MCCONNELL. Thank you. Senator Leahy.

Senator LEAHY. Thank you, Mr. Chairman. I would say, in following up on that a little bit, the Ayatollahs in Iran make no secret of the fact that they want very much for a new government in Iraq to resemble theirs in Iran.

Iran may be slowly changing. The irony would be if Iran became less of a theocracy, more of a democracy, and the opposite happened in Iraq.

Secretary POWELL. We are going to do everything we can to make sure that such irony does not occur. I hope that the people of Iraq, as they continue the process that has now started to create an interim authority, an embryonic government, and as it starts to grow into a full government with free elections, will realize that they do not want to look like Iran. What has it done for Iran? It is not a model to be emulated.

Senator LEAHY. I agree with that.

Secretary POWELL. There are much better models about. What we have to watch out for is what the Iranians might try to do in the southern part of Iraq, and we have some concerns about that and we are sharing those concerns with the Iranians, suggesting it is not in their interest to try to in any way exercise undue influence within the Shi'ia population in the southern part of Iraq or try to infiltrate it.

Senator LEAHY. Thank you.

Mr. Secretary, you know, we talked earlier about this idea of unilateralism versus multilateralism and there is a temptation—we are the most powerful nation on earth, we are the wealthiest nation on earth and we have a worldwide economic and military reach—to go it alone. You can do that in individual instances, but at some point it wears thin.

#### SEVERE ACUTE RESPIRATORY SYNDROME

I am thinking, isn't the SARS epidemic an example where to go it alone just does not work? If we are going to combat SARS, or terrorism for that matter, there are a lot of other nations we have got to be involved with—China, France, Mexico, Canada, countries that disagreed with us on the war in Iraq. No matter whether they agree or disagree with us on an issue like Iraq, doesn't SARS illustrate why we have to work together?

Secretary POWELL. We do have to stay engaged and I think we are staying engaged. We are increasingly interconnected with respect to dealing with transnational problems, whether they are epidemics, such as HIV/AIDS or SARS, or whether it is responding

to terrorism, and President Bush and his team understands this fully. I spend a great deal of my time working with the international community, whether it is regional organizations, the United Nations, NATO, whatever it might be, and the number of visitors who come here and the number of places that I visit.

When you look at this charge, though, that America is too unilateral, I start to lay down exhibits of our unilateralism or our multilateralism. I look at Operation Iraqi Freedom, and everybody says we went off on our own and we split Europe and Europe wasn't with us. Europe was with us. There were some nations in Europe who weren't with us, but more NATO nations were with us than against us. More EU nations were with us than against us.

Senator LEAHY. I understand that. That is not precisely, though, what I was getting at. I was thinking, like we read in the paper, Chile may be punished because of—

Secretary POWELL. Chile—

Senator LEAHY. My point is that there may be issues where they disagree with us. But on other issues, we have got to work together, SARS being one.

Secretary POWELL. Oh, sure. Sure.

Senator LEAHY. Terrorism being an example, too.

Secretary POWELL. Chile will not be punished. I met with the Foreign Minister of Chile the day before yesterday and we assured her that there might be some delay as we put things in queue, but the President remains committed to the U.S.-Chile Free Trade Agreement.

But there come occasions, Senator Leahy, where as the result of a disagreement or some other disappointment in a relationship we have with a particular country, without breaking up the friendship or breaking an alliance, you can take another look at your policies to see whether those policies are still the right policies to follow in light of the disagreement that was just passed through.

Senator LEAHY. Let me ask you one other question. We could go on for hours.

#### IRAQI NATIONAL CONGRESS

We have talked about Mr. Chalabi, the head of the Iraqi National Congress, INC, who seems to be favored by some in the administration, but the Foreign Minister of Jordan warned against supporting him, saying he had been convicted of fraud in Jordan, among other things.

Is the INC going to be the dominant party? We have given them \$5 million recently. We have given them tens of millions of dollars before, we airlifted them in there, and yet we know from the audits done that some of the money we gave them in the past was misspent. Is this a fait accompli or are they just one of the parties?

Secretary POWELL. They are just one of the parties. Ahmed Chalabi spent many years of his life working hard for the liberation of Iraq and he believes that he should participate in public life. He has been one of the most effective leaders of the external opposition and he is now in Iraq and there is no reason he should not be in Iraq participating in public life in Iraq.

This Congress provided a great deal of support and direction as to how this support should be used to the INC. There were some

accounting problems and we controlled the flow of money while those accounting and accountability problems were dealt with by our staffs.

But the President has made absolutely clear that the leadership of the new government in Iraq would be determined by the people of Iraq, all the people, and we would expect that the new government would include those who fought so hard in the external opposition as well as those inside the country who are now free of Saddam Hussein and his regime and his thugs and can speak out and present their case to the Iraqi people and see if the Iraqi people have confidence and trust in these individuals. So it will be a combination, we are not putting our bets on any particular individual or any particular group. It is up to the Iraqi people. The President has made this very clear.

Senator LEAHY. Thank you.

Senator MCCONNELL. Thank you, Senator Leahy.

Senator Shelby.

#### DEATH OF AMERICAN CITIZENS IN SEOUL, KOREA

Senator SHELBY. Mr. Secretary, you may have been briefed, and I am not sure, on the recent unexplained death of American citizens in Seoul, Korea.

Secretary POWELL. I don't think so.

Senator SHELBY. Mr. Matthew Sellers was from Alabama, and some of his family has contacted me with questions regarding the discrepancies in the facts and circumstances surrounding his death. The family has had some contact with State Department officials at our embassy in Seoul and two letters have been received from Ambassador Hubbard, but they continue to feel very strongly that not enough information has been shared with them about their brother's death and that a full investigation of this matter is necessary.

So since you are not familiar with it, I will get you some information on it and ask you to look into it because they are really concerned that—there are just a lot of unanswered questions about his death. He was a teacher, an American from Alabama and had been teaching there for 17 years and he died en route from one hospital to the other. It is inexplicable. So I will get you the information.

Secretary POWELL. No, it does ring a bell now, Senator. When you said the name Matthew—

Senator SHELBY. Matthew—

Secretary POWELL. It didn't click, but Sellers—

Senator SHELBY. Maybe my mike wasn't on.

Secretary POWELL. I know that the family has been in touch with Ambassador Hubbard—

Senator SHELBY. Right.

Secretary POWELL [continuing]. And we are trying to get the answer and I will look into it again when I get back to the Department.

Senator SHELBY. I appreciate it very much and I know his family does.

Secretary POWELL. In circumstances like that, one always can't find the answer, but we should do everything we can to try to find the answer for the family.

Senator SHELBY. We appreciate that.

Secretary POWELL. Thank you.

Senator SHELBY. That was at the request of the family that I am pursuing this.

#### NORTH KOREA

I would like to ask you to comment where you can, considering the sensitivities of what is going on the peninsula of Korea, what can you tell us about what is going on in Korea, Mr. Secretary?

Secretary POWELL. We know the North Koreans have continued to pursue nuclear weapons technology. We discovered that last summer and it became clear that they were continuing to pursue this even though they had agreed not to as a result of the agreed framework of 1994 signed with the United States, and even though in 1992, they had entered into an agreement with South Korea not to have nuclear weapons, but they did anyway.

We thought we had bottled it up with the agreed framework, only to discover that they popped out somewhere else. There was another bottle with another genie in it that we discovered with no cork.

So we confronted them. They first denied it, then they admitted it. We have been telling them for a number of months, since last October when this broke out, that the only way we can deal with this in the future is not to deal with it the way we did within the past because that didn't work. So we are not going to get back into an "agreed framework" kind of arrangement where you make promises but you don't get rid of the capability; and it is ready to pop out again, and meanwhile, we are giving you aid and light-water reactors and all kinds of other things.

We also told them that this time, the solution has to involve your neighbors, not that we don't have a role to play, and we know you are worried about us attacking you, but it is your neighbors who are threatened by this capability and their interests have to be served and they have to be part of the solution. Why shouldn't they be? This is part of our multilateral approach to problems, Senator.

So we pressed and pressed and finally persuaded the Chinese to play a more active role in setting up a multilateral meeting. It started with trilateral, but even though it was just trilateral last week, we had the interest of the South Koreans and the Japanese in the room with Assistant Secretary Jim Kelly. We briefed them every step of the way, total transparency with Tokyo and with Seoul. We had a three-way meeting, the Chinese, the United States, and North Korea.

The Chinese were full participants, not just conveners. They made it clear that they wanted a de-nuclearized peninsula and they, for the first time, publicly acknowledged the 1992 agreement between South and North Korea. The Chinese said: "we now acknowledge that and why are you violating that, too," was the implication.

The North Koreans, in very typically bellicose fashion, accused us of everything imaginable and then said, we have reprocessed all the fuel rods that were in storage. We can't establish that as a matter of fact with our intelligence community, but they said they did it. That is their assertion. That is their position.

Then they told Mr. Kelly that, by the way, we confirmed that we have nuclear weapons and we told you 10 years ago, in 1993, that we had nuclear weapons, although we can't verify they told anybody that. With these nuclear weapons, they said, we can display them, we can make more, or we can transfer them. And then they said, it is up to you. It depends on the American reaction. Take your time. Think about it.

So they have essentially laid their programs out and are anxious to see whether anybody will pay them for their bad behavior. So we had a good, as we say in the diplomatic world, candid, direct exchange of views. We briefed our Japanese and South Korean friends on the way out and we are now examining the proposal they put on the table which would get rid of all of this and the missiles that they have and we will examine it. But we will examine it with the greatest care and only with our other friends, and then we will see how to deal with it, whether further meetings are warranted, whether another proposal is appropriate.

All the options are on the table and available to the President. We will not be rushed. We will not be panicked. We are not afraid, we will not be scared into doing something, we will not be blackmailed, and we will not be intimidated. They are the ones who have the problem with people who are starving to death, an economy that is not working, and they are investing what little wealth they have in fools' gold called a nuclear capability that will not scare us and will not feed a single child.

Senator SHELBY. Thank you. Thank you, Mr. Chairman.

Senator MCCONNELL. Thank you, Senator Shelby.

Senator Landrieu.

#### OPENING STATEMENT OF SENATOR MARY L. LANDRIEU

Senator LANDRIEU. Thank you, Mr. Chairman, and thank you, Mr. Secretary, for your leadership. I agree with your assessment that it would be wise for us to be both a military superpower and a diplomatic superpower and I really commend you and all that you have had to handle to really be aggressive in stepping up our State Department and making sure that our people have the resources and the tools and the 21st century tools they need to complete the mission, because both are important.

Just to note for the record, and, of course, you know I have supported a strong defense appropriation and we have seen that increased. Of course, you had a great role to play in a former role in that regard. But Mr. Chairman, just for the record to state that our defense appropriation for 2002 is \$331 billion, but our diplomatic investments are \$23.9, less almost 5 percent. It might be wise for us, whether we can do it this year—probably not—but over the next few years to think about at least having our diplomatic budgets match at least 10 percent of our military budgets to keep it in a good proportion. That conversation, I probably should have with the budget folks, but I just wanted Mr. Secretary's support—

Secretary POWELL. I will mention it to them for you.

Senator LANDRIEU. [continuing]. That effort because I just think the principle of it is important for America, that we intend to be the primary military superpower in the world. We intend for that

to continue, but we will also match that to be a diplomatic superpower, and in order to do that, I think our budget has to reflect it.

But these are my questions. One, what is your view of the dangers, if any—you might not think there are, but if you do—associated with the premature pull-out in Iraq? I think I agree with you that this is a very crucial time, that it wasn't just the time when the bullets are flying, but now that the bullets, or some, most of the bullets have stopped, what do you think, or could you describe the dangers associated with a premature pull-out?

Secretary POWELL. I don't believe there will be a premature pull-out. The President has made it clear that we don't want to stay a day longer, but we are not going to leave a day too early. So we will stay as long as it takes to do the job.

But we can share the burden, and as we sit here today, we and our British friends and other members of the coalition are soliciting other nations to provide peacekeeping forces and reconstruction forces and funds so that we are not pulling out but changing our presence. They don't have to be American soldiers and British soldiers throughout the country for whatever time it takes. We can bring in other nations. Other nations have volunteered; off the top of my head, Italy, for example. Now that the active part of the campaign is over, they are prepared to send in up to 3,500 troops, to include the kind of troops we need, the kind of presence we need, policemen, not tankers or artillery men.

So we are going to different countries around the world now, asking what are you able to contribute to this effort, so that we can remove some of our troops. But that would not be seen as premature because they are being substituted for with the kind of troops that can do the job.

Senator LANDRIEU. But I guess my question—maybe I didn't ask it as clearly—is I realize that our intention is not to pull out prematurely, and I most certainly agree with that assessment. But could you describe, just for the record, what some of the dangers would be if we did or if we misjudged it? What could potentially happen if we left too early?

Secretary POWELL. My greatest concern would be if we were to pull out before there was security throughout the country and there was a sense of stability and the people were comfortable with their new governmental institutions and ministries. That the new government has put in place an adequate police force and a responsible military answerable to the government to protect the nation, keep it one nation, and defend it against potential enemies.

So there is a lot of work to be done, and in the absence of those kinds of institutions and a government that the people could believe in, trust, and that is functioning to a proper standard, the worst case you talk about could be total disorder of the kind we have seen in Lebanon in previous times, and the last thing we want to see is that kind of collapse of society. Then we would have, frankly, failed in our mission.

Senator LANDRIEU. Mr. Secretary, as I was coming in, I heard—one more question, if I could.

Senator MCCONNELL. And then Senator DeWine.

Senator LANDRIEU. I will be very, very quick. The chairman mentioned, and I wanted to support him in this comment about the potential establishment of a trust fund for the oil reserves. Being an oil-producing State, we have some experience with this. I think you referenced Alaska. The Senator from Vermont, I think, is somewhat familiar with Texas, Alaska, Louisiana having had some experience, and we don't have to go into the details of it, the benefits, now, but they are extraordinary, the benefits to a community that wisely set aside some of the riches of their oil reserves for the benefit of the people.

I think that that practice that we have somewhat developed in the United States could actually be quite applicable for Iraq, both in a direct benefit as well as the psychological benefit to ensure them that we are going to try to promote policies that that oil belongs and should be used for the development of their people in long-term investments.

PREPARED STATEMENT

Mr. Chairman, I thank you for your patience here, but urge us to pursue that in a pretty aggressive way, because over the short, medium, and long term, it would be a great advantage to the country.

Secretary POWELL. Thank you, Senator. We are looking at the various models that we have used to do this so that a portion of the revenue doesn't get laundered through the government. Serving the people could mean going directly to the people so that they can make choices as to where they want the money to go. As long as the money stays in the country and circulates and generates growth within the country.

Senator LANDRIEU. Thank you.  
[The statement follows:]

PREPARED STATEMENT OF SENATOR MARY L. LANDRIEU

December 7, 1941 was a date that changed the world. The Japanese attacked America, and we were dragged into World War II. After years of fighting, the United States succeeded in liberating two continents oppressed by Germany and Japan. On September 11, 2001, the United States was, once again, attacked because of her virtues as a country where we are free to practice multiple faiths, women are free to vote, and we are free to live the dreams so many people around the world only wish they could experience. Congress and the Administration share a vision that the military operations in Iraq and Afghanistan, in response to September 11th, will create a world where Americans can live in security. Moreover, the citizens of Iraq and Afghanistan and people around the world will be able to realize their dreams to speak and pray freely, have access to the classroom and the boardroom, vote and more. We are already seeing early instances of freedom blossoming in Iraq and Afghanistan. But, these aspirations will only thrive and become realities if America makes a long-term commitment to the promotion of liberty, justice, and civil society. At the end of World War II, America did not quickly end its presence in Japan and Germany. In fact, we are still engaged in both countries. The Marshall Plan was a long-term road-map to re-establish Asian and European economies and restore Germany and Japan as responsible members of the international community. The U.S. dedicated \$13 billion in aid for the reconstruction of Europe and Asia or \$88 billion in today's dollars. We must make a similar, long-term commitment to Iraq, Afghanistan, the Middle East and Southern Asia. We cannot sustain the successes of Operations Enduring Freedom and Iraqi Freedom if the United States is not dedicated, once again, to a long-term commitment in the Middle East and Southern Asia. A failure to maintain our presence will permit fanaticism and fundamentalism to re-emerge.

## AFGHANISTAN

The President's budget request dedicates \$657 million for the reconstruction of Afghanistan. As Secretary Powell's testimony states, Afghanistan is no longer a haven for Al Qaeda; a transportation system is being established; a military and police force are being trained to respect civilian authority and the rights of Afghan citizens; and an accountable government to the people of Afghanistan is beginning to send anchor roots into the soil. But, we cannot rest here. Regrettably, the Administration requested no funding for Afghanistan in fiscal year 2003. Remnants of the Taliban and Al Qaeda still pose threats to Hamid Kharzai and his government. In fact, numerous assassination attempts have been made on his life. Moreover, they still pose a danger to our troops, and our troops continue to conduct operations in Afghanistan. Certainly, America cannot give the all clear sign in Afghanistan that the military threat no longer exists.

Nor, can we give the all clear sign that a civil society and personal freedoms are ready to stand on their own. In particular, women still face obstacles that prohibit them from full participation in Afghani society. Dr. Sima Samar was initially named Deputy Premier and Minister of Women's Affairs in the Kharzai government. Her nomination was defeated because she was deemed a threat to the status quo. Equality for women does not endanger society. Rather, it is a catalyst for economic growth and a check to ensure justice is not denied. As Paula Dobriansky, Under Secretary of State for Global Affairs recently said on April 11, 2003, "Ensuring women's rights benefits not only individuals and their families, it also strengthens democracy, bolsters prosperity, enhances stability, and encourages tolerance. It thereby helps every society realize its full potential, which is an overarching goal of our own national security strategy." Women captained the abolition movement to end slavery in the United States. An economic boom occurred simultaneously with the granting of the right of suffrage for women in the United States. Afghanistan's economic ascension will be tied to the increase of rights for its women. Democracy cannot be said to have been fully established until women have a say in their government and can take leadership roles in their communities.

Again, we have sewn the seeds of a bright future for Afghanistan. But, this future will only be realized if America maintains a strong economic and visible physical presence in Afghanistan.

## LONG-TERM COMMITMENT TO IRAQ

The situation in Iraq differs little from that seen in Afghanistan last year. An oppressive regime was deposed, but confusion ensued soon after. Today, electricity, food, and water are still scarce in parts of Iraq. We must improve this situation in order to convince the Iraqi people that life without Saddam Hussein is better than life with Saddam Hussein. Again, we will only be able to convince the Iraqi people a new type of government is better for them if we make a long-term commitment to improving their plight. A quick departure will only allow Saddam's totalitarianism to be replaced with fundamentalism. Such a solution does not benefit the Iraqi people, the region, Israel, or the United States.

America must apply lessons learned from Afghanistan to make the transition more seamless in Iraq. Lt. General Jay Garner (retired) appears to be a wise choice to head the Pentagon's Office of Reconstruction and Humanitarian Assistance. Already, he has convened meetings with Iraqis representing a myriad of religious and political view-points to discuss the crafting of an Iraqi future based on a constitution built on the pillars of freedom and self-rule. As one Iraqi political aspirant said of the meetings with General Garner, "It was the first time I entered an open political meeting in Iraq in more than 35 years. Under Saddam there was no way to speak like this." It is hoped that these meetings will produce a solid foundation to allow the Iraqis to flourish.

Nevertheless, I am dismayed by comments from the Administration calling for the earliest possible exit from Iraq. Rather, we need to ensure our DOD engineers and civil affairs officers are available beyond the immediate future to rebuild Iraq's infrastructure and advise Iraqi civilians how to restore the fabric of a civil society. Such a move should not be feared within Congress, the Administration, or the Middle East as a heavy handed attempt to establish an American enclave in the Arab world. We should have no designs on an American colony in Iraq. But, it is folly to think that the reconstruction effort required by the DOD and an eventual transition to the Department of State to promote economic development can be done quickly. A long-term commitment will prove our sincerity to the fate and well-being of the Iraqi people. A quick exit will embolden fundamentalists and send a message to despotic leaders that they only need endure a short war and presence of American forces before they can return to power and their old ways.

We must also consider the establishment of a "permanent fund," like the one found in Alaska, that allows the Iraqi people to share in the riches of its petroleum resources. The people of Alaska receive a check each year based on the royalties collected from Alaska's oil. This revenue in the hands of Alaska's citizens has greatly benefitted the Alaskan economy and its citizens. A similar fund would benefit a cash starved Iraqi populace and ensure Iraq's oil riches benefit the people of Iraq and not outside interests.

#### ROLE OF IRAQI WOMEN

As in Afghanistan and the United States, Iraq will only truly thrive when its women can participate alongside men in government, commerce, medicine, and education. Saddam Hussein's regime was brutal to women. Such treatment cannot be permitted to occur in the new government. Saddam's regime crushed the voices of women through violence and intimidation. Under Saddam Hussein, rape was a common form of political torture. The wives, mothers, and sisters of Iraqi dissidents were often raped and even killed. Death was the proscribed punishment for women who "dishonored" their families, and "dishonor" was interpreted all too loosely.

However, Iraqi women have not always been subjected to torture and sexual discrimination. Prior to Saddam, Iraq was a country with a long history of prominent women in positions of leadership. Currently, women in Kurdish sections of Iraq enjoy freedoms not permitted by Saddam. As Undersecretary of State for Global Affairs Paula Dobriansky has said, "Kurdish women travel there freely, hold high-level economic and political positions and have been critical to the region's revival. Several Kurdish women serve as judges, and two regional government ministers are women." Arab women regularly frequent Kurdish hotels because there is a no-veil requirement in the Kurdish territories. What is possible in Northern Iraq is certainly possible throughout Iraq, but it will not be achievable if the United States does not provide a long-term stability that fosters and allows women to take a stake in society without fear of reprisal from Iraqi men.

#### CONCLUSION

The reconstruction of Iraq and Afghanistan can change the paradigm of governance in the Middle East and Southern Asia. However, this shift will not occur overnight, and it will not form without resources from nations, especially the United States, wishing to see democracy and liberty prosper in the region. The commitment must be lengthy, and the commitment must be made to men and women. While we need not duplicate the Marshall Plan in its entirety, there can be no doubt that a quick solution is no solution at all.

Senator LEAHY [presiding]. Senator DeWine.

Senator DEWINE. Mr. Secretary, thank you for being with us and thank you very much for your good comments about the men and women who represent us in the Foreign Service. It has been my experience, as I am sure it has been for members of the committee and Congress as we have traveled around the world, that these are our best and brightest and they are very dedicated people, and thank you for commenting about them and thank you for leading them.

I may also say it is always a privilege to deal with Secretary Armitage, as well. He is a pleasure to deal with, as well.

Let me say it was good to be at the White House yesterday, and thank you for your leadership and thanks to the President for his leadership in regard to the AIDS issue. I want to ask about that. I want to ask about the new Special Coordinator for International AIDS Assistance which we are going to appoint at State. Let me ask you how that is going to work, how that person is going to coordinate his or her work with HHS, CDC, NIH. How is that all going to come together?

Secretary POWELL. The coordinator will be in the Department of State, and I am still looking at the best organizational arrangement, whether it remains a special office or it actually becomes a

bureau. There is a lot of money here and I have to make sure I have the right kind of organizational structure for it.

But even though the person is lodged in State, the very title of "coordinator," or "special coordinator," suggests that he has a much broader role and I would expect that I would enter into memoranda of understanding and agreement with Secretary Thompson and with all of the other agencies of the administration that have an equity and an interest in how this money is used.

I don't think there will be any coordination problem, but this individual will be the one who would have the authority to allocate the funds to USAID, to HHS, and who would also be tasked with developing partnerships between government, private sector, and international organizations, whether it is UNICEF, WHO, UNDP, as to how the money will be spent.

Senator DEWINE. What is the time table on that?

Secretary POWELL. As soon as I can and as soon as we have the necessary authorities and appropriations from the Congress, we are on it. We are looking through the organizational arrangement, trying to establish the organizational arrangements now and we are looking at candidates for the job.

Senator DEWINE. Good. Let me turn, if I could, to this hemisphere, and I appreciate your efforts and so on in this hemisphere. It is vitally important, particularly meeting with the President of Colombia. I wish you well in that. I had the opportunity to travel to Colombia about a month ago and meet with him and the President is a courageous individual. We need to hang in there.

Secretary POWELL. I was there a couple months ago myself.

Senator DEWINE. I know you were. I know you were.

#### HAITI

Let me ask about Haiti continuing—my impression is, the situation continues to deteriorate. Assuming the OAS mission is unable to facilitate a political solution, where do you think we go from there? Let me just say, I support the administration's position. We cannot, with the current political situation in Haiti, we cannot channel money through the government of Haiti. Let me also add, before you answer the question, I believe for humanitarian reasons, as poor as the country is and what I have seen in Haiti, and I have traveled there many times, I believe we need to consider increasing the humanitarian assistance through the NGOs. There are a lot of places we can put that money to do a lot of good down there and that would be my pitch today—

Secretary POWELL. No, I—

Senator DEWINE [continuing]. But I would ask you, where do we go politically, do you think?

Secretary POWELL. You hit the key element there, Senator. This is a country and a people who are desperately in need of international assistance. We have tried to be as forthcoming as we can be, subject to the constraints that are placed on us by a government that simply hasn't been responsive to the needs of its people. We can't do much more with them until they solve the political problem.

I followed this matter very closely. You know my history with Haiti; I am the one that President Clinton sent down there with

President Carter and Senator Nunn, your former colleague, to talk to General Cedras and have President Aristide come back in. He did that, and that is going on 9 years ago and there hasn't been any improvement basically since then. And so I have always found it difficult to predict what is going to happen next politically in Haiti. They are just stuck in what I want to say is a time warp. This is a country that has had the opportunity to create a democracy longer than any other nation in the hemisphere or in the world, for that matter, almost 200 years, or over 200, or whatever the amount has been. It is a long period of time and they haven't been able to bring the pieces together because of squabbling and quarreling and the disparity of wealth between those on the hill and those not on the hill. But I would not know what to say to you honestly about where it is going next politically, but we have got to get past the current political crisis.

Senator DEWINE. Thank you.

Senator MCCONNELL [presiding]. Thank you, Senator DeWine.

Senator HARKIN.

Senator HARKIN. Thank you, Mr. Chairman, and thank you, Mr. Secretary, for being here today, and thank you for your tremendous leadership during these very trying times.

I am going to have a question for you here, or a statement and a bit of a question which I guarantee you none of your staff ever prepared you for. But I believe it is important and it is something that requires U.S. leadership.

#### PEOPLE WITH DISABILITIES

As you know, Mr. Secretary, I have been a longtime advocate for people with disabilities, one of the main authors of the Americans with Disabilities Act. I think it is very important that any reconstruction supported with U.S. funding be accessible to people with disabilities and allow them to equally participate in civic and community life.

As we begin this crucial period in Iraq and Afghanistan, where these two peoples are rebuilding their futures, I know a lot of voices will be heard, and you are reaching out to different sectors of society in both of those countries. It is my hope that the administration would give some thought to reaching out to the disability community, and there are going to be a lot of people, obviously, that already are disabled in those countries for natural reasons or because of the effects of war, and I am just hopeful that as we begin this reconstruction, that we begin to impress upon them our hope and our, maybe more than hope, but our strong support for ensuring that their institutions are accessible.

Secretary POWELL. Thank you, Senator, and you are right, my staff did not prepare me for that question, but I didn't need it. It is a very good observation and I will try to find the right way to insert it into our thinking. My son, you may recall, was retired from the Army with 100 percent disability, and so I became very knowledgeable about 15 years ago what it is like to be in a wheelchair and on crutches and on a cane, or to drive a car with one leg that doesn't really work and what the access means. He is now fully functional, although still carries some of the consequences of his injuries.

But if you look at the Financial Times today, you will see two pictures of him and one of me, and both of us are being criticized.

So I have more than a passing interest or awareness of this subject.

Senator HARKIN. I appreciate that, Mr. Secretary, and in following up on that, I had spoken with Mr. Armitage about this about a year ago. In June, the United Nations in New York will convene a meeting of member nations to draft an international convention on the rights of individuals with disabilities. This, I think, is the second such meeting. The first meeting was last year, and that is why I called Mr. Armitage at that time.

Again, I would like to urge the administration and your leadership to take a role in the drafting of this convention, just as former President Bush took the lead role in helping us get the Americans with Disabilities Act through the Congress and signing it into law. So I would hope that we would really be forward on this and that you would send instructions down to be heavily involved. Since we have had 13 years of experience, some ups and downs, but good experience in how to deal with this, I think the United States should take a big leadership role on this important issue.

If I could just ask you, as a personal favor or professional favor, or whoever is in charge of this in your office, if I could be in touch with them or if they could be in touch with me, I would sure appreciate that.

Secretary POWELL. I will make sure that happens, Senator. Thank you.

Senator HARKIN. I appreciate that very much.

#### HUMAN SHIELDS

Last, if I have any time left, I have a constituent in Iowa who was born in my State, but his parents came from Kuwait. He happened to be back there visiting during the time of the first Gulf War. He was one of about 100 people that were used as human shields. Fortunately, he lived and he came back, a young man. He wasn't going to take this sitting down and he sued and he got a judgment against the government of Iraq. They had a lot of problems in getting the money for the judgment. That recently happened with the finding of some money in the Federal Reserve Bank in New York, by the way.

He and his attorneys have told me they have had a difficult time with the State Department on this, and now there is about 50—I could be off a little bit, but there are about 50 similarly situated people who are suing because they were used as human shields and other things like that, but they are U.S. citizens and they have gotten judgments, but there doesn't seem to be any money or something. They have got money against assets held by Iran. I hope that the State Department will look at that as a possible source of meeting the judgments rendered in favor of these claimants.

Last, I have another constituent who is one of the Iranian hostages and they sued, but because of the Algiers Accord, they can't get fulfilled. We have got to work this out. That was never a treaty. It was blackmail, pure and simple, by the government of Iran at that time in order for us to get our hostages back, and because of that Algiers Accord, we can't permit our citizens the right that they

ought to have—like we can sue governments, we can't sue the government of Iran to go after them for unlawful, illegal incarceration for all those days they were held.

Secretary POWELL. This is a very complex issue, Senator. In the Iranian case and the Algiers Accord, because of that accord, if we were to start paying claims using frozen Iranian assets, because of the nature of that accord, the Iranians would have then a recourse in international law and the cost of this might come back to the U.S. taxpayer.

With respect to Kuwaiti issues, there are frozen Iraqi assets and there are also compensation claims being paid out of the oil for U.N. Oil for Food Program for victims. But the real solution to this whole problem is the Victims of Terrorism Fund that we would like to see created, and we are still working with OMB and other agencies of the administration to get that one moving.

Senator HARKIN. One last thing, Mr. Chairman. I don't think our taxpayers ought to be paying for it. If they have got assets and they have got money, they ought to pay for it.

Secretary POWELL. If it flows through, if there are assets that are not protected in some way by other agreements that the U.S. Government has entered into and if we break those agreements, then there really are significant foreign policy implications to such—you know, walking away from agreements that have been entered into.

Senator MCCONNELL. How much time do you have remaining, Mr. Secretary?

Secretary POWELL. Mr. Chairman, it is almost 3. I am at your pleasure, sir, but I do have to get to the White House in due course for President Uribe, but whatever you want.

Senator MCCONNELL. If you have got a few more minutes, Senator Durbin, in an example of exquisite timing—

Secretary POWELL. He does that all the time, I have noticed.

Senator MCCONNELL. Yes, arrived at just the right time to get in one quick round.

#### GLOBAL AIDS

Senator DURBIN. If I could, and I will be very brief, I only have two questions. One relates to the global AIDS situation. Thank you for your leadership and thanks to the President. I think it is an extraordinary commitment by this administration and I hope that we can read into the statement this week by the President that the administration is committed to the approach on global AIDS that has been successful and proven, to urge abstinence as the first goal; fidelity, to be faithful, as the second goal; and the third goal, if necessary, to use condoms and other protection to avoid spreading the disease. Is that a fair statement of the administration's belief in how we should approach this global AIDS crisis?

Secretary POWELL. Yes, sir, and I think the President spoke to that yesterday in the White House, and the example he is using is how Uganda went after the problem.

Senator DURBIN. Exactly, a success story.

Secretary POWELL. And we have got a very fine booklet that USAID has put out that describes the Ugandan experience. I would be delighted to send one up to you, Mr. Durbin.

## WEAPONS OF MASS DESTRUCTION

Senator DURBIN. My last question is unrelated to that. How important is it to the credibility of the United States and to your personal credibility as Secretary of State for us to actually find weapons of mass destruction in Iraq?

Secretary POWELL. Well, I think we will find them and I think it will be very, very helpful in not only making the case that we went in under, but I am the one who made the case before the United Nations on the fifth of February.

But it is important to remember a couple other aspects to this. When Resolution 1441 was passed by a vote of 15 to zero, every country that voted for that resolution accepted the fact that Iraq had weapons of mass destruction as a result of 12 years of avoiding answering the questions, as a result of all those years of stiffing the inspectors. So they were found guilty of possession of weapons of mass destruction on the eighth of November when 1441 was passed.

Also remember that some of the things we are looking for were not actual weapons but answers. You had  $x$ -number of liters of anthrax or botulinum toxin. You have never accounted for it. What happened to it? Now, we may never find that botulinum toxin. We are still trying to find out what happened to it. And the Iraqis said, we are not going to tell you. We are not going to show you anything. We are not going to answer the question. Any reasonable person should assume at that point that they were hiding something.

Now that our troops are there and we have exploitation teams around the country and as more and more individuals are being found or turning themselves in to be interviewed, I think we will be able to queue our efforts a little more effectively and find the infrastructure.

We are quite sure that they had facilities that might be called just-in-time factories for the development of chemical weapons. In other words, they might be making another product, but with just a few adjustments to its manufacturing process, it is making a chemical or biological weapon. Some promising leads have turned up, so I am quite confident we will be able to make the case and make it in a way that will be convincing to the world.

Senator DURBIN. Thank you, and thank you Mr. Chairman.

Senator MCCONNELL. Mr. Secretary, I am going to exercise the chairman's prerogative and ask the final question and then we will leave the record open for written questions for you and your staff to respond to.

## BURMA

Clearly, one of the most outrageous and repressive regimes in the world is Burma. Nobody pays any attention to it. It abuses its people. It doesn't honor the results of the election that the National League for Democracy and Aung San Suu Kyi won in 1990. What, if anything, could we or any of our allies do to try to bring about the recognition of the election that was fairly won some 13 years ago in Burma?

Secretary POWELL. Mr. Chairman, your characterization of Burma is absolutely correct. It is a despotic regime and we condemn its policies, we condemn the manner in which they have kept Aung San Suu Kyi away from the political process and participation in civil society and civil life. But it has been difficult to find a solution to crack the rule of this ruling regime. We must continue to work within the U.N. framework, continuing to work with our ASEAN partners. I am sure that when I attend meetings later this spring, in June, in the region with our ASEAN partners and—

Senator MCCONNELL. Do any of the ASEAN partners care about this?

Secretary POWELL. They do, but they are at a loss, also, as to what to do. They care. Most of them are moving in the right direction, the direction we want them to move in, of democracy and representative government. But they have not yet generated the collective political will to apply the kind of pressures that might change the nature of this regime or this regime itself.

Senator MCCONNELL. I know you have a lot on your plate, but I would encourage you to pay some attention to this if you have any time at all because it truly is an outrageous regime.

Secretary POWELL. I shall, sir.

Senator MCCONNELL. Thank you so much for being here.

Secretary POWELL. Thank you, Mr. Chairman.

#### ADDITIONAL COMMITTEE QUESTIONS

Senator MCCONNELL. 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 MITCH MCCONNELL

*Question.* What is the status of the State Department's review of U.S. assistance programs to Egypt?

*Answer.* We are reviewing all of our assistance programs in the Middle East beginning with our program in Egypt. The review is focused on ensuring that we are reaching as many Egyptians as possible with our aid; that our programs deliver assistance efficiently; that our funds promote the reforms targeted by the Middle East Partnership Initiative; and that we improve our measurement of results.

We have completed a review of activities comprising the majority of the total U.S. Government economic assistance program for Egypt. The areas reviewed so far include economic reform, education reform, infrastructure, environment, and democracy and governance. We expect to complete the review by late June. We anticipate that, as part of this review, we will be spending a larger portion of our assistance resources on programs that encourage economic, educational, and political reform. The Egyptian government supports these new areas of focus.

*Question.* How will democracy programs in Egypt be conducted in a manner free from the Egyptian government's oversight and interference?

*Answer.* The United States emphasizes the importance of a strong commitment to the rule of law, transparency, and good governance through its U.S. Agency for International Development Mission. A six-year, \$32.5 million grant, for an NGO Service Center, supports strengthening the institutional capacity of local Egyptian NGOs in the areas of internal governance, sound financial management, and advocating for citizens' interests and participation in civic action. This NGO Service Center is helping citizens to bring street lighting to slum areas, introduce garbage collection, advocate for the rights of children and those with special needs, obtain documentation essential for voter registration, and help women become important and active members of society.

During its September 2002 conference, Egypt's National Democratic Party adopted a policy document that advocated for movement toward a more open, democratic society with increased public participation. We support the strengthening of democratic institutions in Egypt and are working with reformers—both in and outside of the government—to ensure that our assistance furthers that objective.

As part of our on-going review of assistance programs to Egypt, we are examining new mechanisms to assist non-governmental organizations, to ensure that the most active and effective civil society advocates are represented in U.S. programming.

*Question.* How will the Middle East Partnership Initiative (MEPI) program ensure that U.S. assistance programs in the region will no longer be “business as usual,” and how will MEPI be coordinated with ongoing State and USAID education and health programs?

*Answer.* The Department of State and USAID have established a common set of Middle East Partnership Initiative (MEPI) goals and objectives for Arab education reform: to expand access and enhance quality of basic formal education and higher education, especially for girls, so that Arab youth are empowered and prepared to participate in the global marketplace. The MEPI expands the reach of USG-directed education reform programs, especially in making greater resources available in countries that lack an AID presence.

Building on pilot projects and through the development of country strategies, the MEPI will achieve increases in critical thinking skills, literacy (especially important for girls and women), English language skills, parental and community involvement, and early childhood education.

Further, the MEPI will narrow the gap in educational attainment between men and women, and expand partnerships between United States and Arab universities involving private sector and civil society partners.

These objectives guide MEPI education funding decisions; provide a basis for AID mission program reviews; and set the foundation for outreach and future competitive proposal processes.

The MEPI education goals and objectives also help establish common ground between the U.S. Government and our Arab partners. Enhanced funding for MEPI gives us leverage in forging bilateral and regional consensus on Arab education reform efforts. Moreover, the resources we bring to partnering relationships both test the commitments made by education officials and allow flexibility in supporting educators who may have the will, but not the tools, to foster innovation.

The MEPI builds on existing education development programs in the Middle East and North Africa. Health issues, by contrast, are beyond the scope of the MEPI, and will continue to be managed bilaterally through AID Missions and U.S. Embassy officers as appropriate.

*Question.* How can the United States assist Abu Mazen and Minister of State for Security Affairs Mohammed Yusuf Dahlan in cracking down on Hamas and other extremist organizations operating in the West Bank and Gaza?

*Answer.* We have made clear to the Palestinians that they must keep a clear endpoint in sight as they take security steps: disarmament and dismantlement of groups that oppose a two-state solution and employ terror or violence to achieve their aims. This will not be easy, and will require the assistance of Israel, the United States, regional states, and others in the international community.

As Abu Mazen takes steps to consolidate control over the Palestinian security forces, the United States is ready to provide specific assistance through security channels.

#### SADDAM HUSSEIN'S SUPPORT OF TERRORISM IN WEST BANK/GAZA

*Question.* Has any information been uncovered in Iraq that provides new insights on cooperation between Saddam Hussein's repressive regime and terrorists on the West Bank and Gaza?

*Answer.* On April 14, U.S. military forces in Baghdad arrested Muhammad Zaydan (a.k.a. Abu Abbas), the leader of the Palestinian Liberation Front and suspected planner of the Achille Lauro hijacking in which one American citizen was killed. Abu Abbas' group is known to have infiltrated operatives into the West Bank during the current intifada. His arrest was a clear example of Iraq's harboring of Palestinian terrorists. Abu Abbas' interrogation has just begun and the full extent of his terrorist activities will not be evident until it is complete.

More time will be required to fully exploit thousands of documents seized during and subsequent to the war before a complete picture emerges of possible Iraqi links to Palestinian terrorists.

## SYRIA

*Question.* Is the Administration considering keeping the oil pipeline that runs from Iraq to Syria closed until such time that Syria ceases its support of international terrorists, particularly Hizballah?

*Answer.* The Administration's policy regarding future Iraqi commerce, including oil, is that Iraqis will ultimately hold responsibility for making decisions about what they trade and with whom.

Regarding Syria, the Secretary has publicly conveyed our strong concerns about Syria's support for Palestinian rejectionists and Hizballah. As the Secretary outlined in his testimony, a new strategic dynamic is emerging in the region and Syria stands at a crossroads: it can make choices that will lead to improved relations with the United States or it can decide to continue current behavior and face further isolation. The Administration retains the full range of diplomatic, economic, and military options to confront states such as Syria that harbor terrorist groups and are developing weapons of mass destruction. We will continue to measure Syria's progress by its actions, not its words.

*Question.* To what extent is Iran hampering reconstruction and democratic reform in Iraq?

*Answer.* We are concerned about Iranian attempts to influence the outcome of the political process in Iraq, and to encourage the Shia to not cooperate with Coalition efforts to move this process forward. We expect the Iranians to support, or at the very least not obstruct the effort to establish a legitimate, stable, and representative government in Iraq. A stable Iraq at peace with its neighbors is vital for the future stability of the Middle East and is in the interest of all the states in the area, including Iran.

*Question.* Does Iran today possess the independent capability to produce its own nuclear weapons?

*Answer.* We do not believe Iran currently possesses the capability to produce independently a nuclear weapon. However, we are gravely concerned by Iran's ambitious efforts to acquire an indigenous capability to produce weapon-grade fissile material that we assess would be used to manufacture nuclear weapons. Unless these efforts are stopped, Iran might be able to produce its first nuclear weapon by the end of this decade. We are using all the diplomatic tools available to us to prevent that from occurring.

The February visit of IAEA Director General ElBaradei to Iran with his senior safeguards staff, followed by monthly IAEA inspections since then, has helped raise awareness, and growing concern, in the international community about Iran's nuclear program. The Iranian regime only recently publicly acknowledged an ambitious (and extremely costly) pursuit of indigenous nuclear fuel-cycle capabilities, including enrichment and "spent fuel management"—a euphemism for reprocessing. The IAEA has noted that Iran's nuclear program appears significantly more advanced than they had realized previously. It is highly unlikely that Iran could have achieved such an apparent state of technical progress in its gas centrifuge enrichment program without having conducted experiments with nuclear material, an activity that Iran denies. Such experiments would be a serious violation of Iran's safeguards obligations. The IAEA is thus examining Iran's nuclear activities and seeking answers to the many unresolved questions. We look forward to a detailed report on the inspection results to date from Dr. ElBaradei to the mid-June IAEA Board.

*Question.* The fiscal year 2003 Foreign Operations bill includes a provision authorizing funds "to support the advancement of democracy and human rights in Iran." What democracy and human rights programs does the State Department intend to support?

*Answer.* The State Department welcomes this authorization to expand our current efforts across the Middle East to foster greater democracy and respect for human rights to such a critical country as Iran. We believe it is expressly in the interest of the United States to include Iran in our current efforts to help get information to people throughout the region seeking political reform.

Iran is unique in the risks the Iranian people have taken to call upon their government for change. The Iranian government has ignored the call for constructive reform and chosen instead to continue pursuing destructive policies, including support for terrorism and pursuit of WMD.

We see a variety of opportunities for outreach programs, but because of the repression inside Iran against social activists, we will look largely to external non-governmental organizations to implement the programs, such as the International Republican Institute and the National Democratic Institute, as well as the media, and the Internet.

The Bureau of Democracy, Human Rights, and Labor (DRL) has begun programming fiscal year 2003 Human Rights and Democracy Fund (HRDF) money and is considering projects that would include Iran. The Middle East Partnership Initiative (MEPI) is seeking ways to work with nongovernmental organizations, such as developing a website with practical guidance on running election campaigns. Through DRL and MEPI democracy and rule of law programs, we will explore pilot projects to see what works and then build from there.

Meanwhile, we have recently launched a State Department website in Farsi that will give the Iranian people direct access to information about U.S. policy on Iran, including key policy statements, translation of the Iran Human Rights report, and excerpts from Patterns of Global Terrorism.

We hope for a continuation of this authority in fiscal year 2004. We would also encourage expanding this authorization to Syria and Libya, other countries sorely in need of help for proponents of democratic and human rights reform.

*Question.* Do you anticipate additional funds will be needed in the fiscal year 2004 foreign operations bill for relief and reconstruction in Iraq?

*Answer.* The funds requested by the President in his wartime supplemental request were arrived at following a comprehensive, seven-month interagency process. In the process of formulating this request, we were forced to make assumptions regarding the post-conflict situation, such as the amount of damage Saddam would do to his own infrastructure. We were also unsure of the state of the Iraq's civilian infrastructure after more than two decades of Saddam Hussein's misrule.

We tried to capture all the costs in the supplemental, and we are grateful for Congress' support for the President's request. However, some important factors are still unknown at this time, including the state of Iraq's infrastructure, its ability to finance its own reconstruction and humanitarian needs, the costs that may be incurred related to reprisals and the extent of refugee/IDP returns. The State Department, through USAID, as well as the military's Civil Affairs teams are working very hard right now to develop assessments of the situation on the ground.

We have begun the process of lifting our own sanctions against Iraq since the regime that was the target of these sanctions is no longer in power. We are also working in the Security Council for an immediate lifting of U.N. economic sanctions. This will allow the United Nations, contractors, and the Iraqis to bring in the goods they need to rebuild Iraq. It will also allow the Iraqis to start producing and selling oil to help fund their relief and reconstruction needs.

*Question.* What steps has the State Department taken to secure debt forgiveness for Iraq from Russia (estimated at \$7.6 billion) and France (estimated at \$2.25 billion)?

*Answer.* We have been working closely with Treasury colleagues on ways to address Iraq's debt. In the immediate term, we have told other creditors not to expect Iraqi debt payments, in order to not divert attention or resources from the immediate priorities of establishing a stable Iraqi government, meeting Iraq's urgent humanitarian needs, and beginning reconstruction.

Overall, Iraq's debt is a medium-term, not short-term problem. We need first to obtain reliable data on Iraq's debt and evaluate Iraq's debt sustainability and capacity to pay.

We have held informal bilateral discussions with visiting foreign government officials. USG officials also discussed the question of how to proceed with Iraq's debt at the spring World Bank/IMF meetings and in the G-7. In April, the Paris Club, of which both France and Russia are members, held its first discussion of Iraq. Creditor countries discussed the likelihood of an eventual multilateral debt treatment for Iraq, without coming to any strong conclusions.

We want a multilateral approach, which will maximize the debt relief to Iraq and give the country breathing room to proceed with rebuilding after the decades of Saddam's misrule while spreading the cost of that relief fairly among different creditors. The Paris Club, which has already begun data reconciliation and preliminary discussions of Iraq debt, is the forum that is best suited to provide maximum relief.

An eventual debt treatment should be based on objective, economic criteria and should include appropriate conditionality. Until Iraq is ready for a multilateral debt treatment, a process that could take about two years, creditors should understand that it is unrealistic for them to expect to be paid. A formal "deferral" of debt is not necessary, as long as countries do not try to coerce payment.

*Question.* How does the State Department intend to promote dialogue between the SPDC and the NLD in Burma at the upcoming ASEAN meeting in June?

*Answer.* The United States has long been a supporter of the efforts of the National League for Democracy and other members of Burma's democracy movement to bring democracy and national reconciliation to their country. We also strongly support the efforts of United Nations Special Envoy Razali Ismail to foster dialogue

between Daw Aung San Suu Kyi and the Burmese regime; national reconciliation is key to the future security and prosperity of the Burmese people. We have encouraged and will continue to encourage Burma's neighbors to support and work with Ambassador Razali.

Burma's political and economic problems threaten not only the livelihood of the Burmese people but also regional prosperity and stability. Three obvious examples are narcotics, refugees, and infectious diseases. In fact, in the international community, it is Burma's neighbors who suffer most directly from Burma's misguided policies. ASEAN was formed to preserve regional stability, and the ASEAN countries invited Burma to join the organization in the hopes that Burma would adopt international norms. We will work with ASEAN toward this goal.

*Question.* In February, Assistant Secretary Lorne Craner forcefully articulated the SPDC's lack of interest and political will in continuing negotiations with Daw Aung San Suu Kyi and suggested State's interest in additional sanctions against the junta. What sanctions are you contemplating, and how closely do you coordinate policy toward Burma with our allies—in particular the British?

*Answer.* The Administration has considered a full range of measures both positive and negative to encourage the military regime in Burma to take appropriate steps toward dialogue and national reconciliation. We already have in place an extensive array of sanctions, including an arms embargo, a ban on all new U.S. investment in Burma, the suspension of all bilateral aid, the withdrawal of GSP privileges, the denial of OPIC and EXIMBANK programs, visa restrictions on Burma's senior leaders, and a vote against any loan or other utilization of funds to or for Burma by international financial institutions in which the United States has a major interest. We have also maintained our downgraded diplomatic representation at the Charge d'Affaires level since 1990. We are keeping our options open and believe multilateral efforts are most effective. U.S. efforts are closely coordinated with our allies and friends through frequent communication and meetings.

*Question.* A better coordinated approach is needed between those who manage Burma policy at the State Department on a day-to-day basis and those on Capitol Hill who follow Burma closely. This is an issue where there should be no policy differences between the Hill and the State Department. Please have those at the State Department involved in Burma brief the Hill on developments in Burma, as well as the State Department's intent to support the NLD and the U.N. special envoy's mission to bring about dialogue between the SPDC and the NLD.

*Answer.* We have frequent contact with interested parties in the Congress on this issue, including briefings, and will continue to do so. We remain strong supporters of the efforts of U.N. Special Envoy Razali to foster dialogue between Daw Aung San Suu Kyi and the Burmese regime.

*Question.* Is additional assistance required in the fiscal year 2004 foreign operations bill to meet the basic needs of refugees from Burma in Thailand?

*Answer.* The President has requested \$6.5 million for Burma-earmarked ESF funds in fiscal year 2004. We believe this amount will be adequate to provide for the basic needs of refugees from Burma in Thailand.

We anticipate spending \$3.0 million of fiscal year 2003 earmark funds on humanitarian-related projects coordinated by NGOs that provide health and educational services to refugee and exile communities on the Thai-Burma border. In addition to the ESF funds for Burma, Migration and Refugee Assistance funds provide food and health assistance to the 136,000 Burmese refugees in ten camps along the Thai-Burma border. In fiscal year 2003 the Bureau of Population, Refugees, and Migration has made grants of more than \$5 million to NGO providers in Thailand as well as funding 25 percent percent of UNHCR and 21 percent of ICRC appeals worldwide.

#### CAMBODIA

*Question.* Where is the Government of Cambodia securing the \$50 million in damages it owes to the Government of Thailand and Thai businesses as a result of riots in Phnom Penh in January?

*Answer.* Cambodian demonstrators broke into and burned the Thai Embassy on January 29, 2003, then moved on to methodically attack other Thai businesses, including the Smart and Shinawatra telecommunications firms. The demonstrators also burned down the Royal Phnom Penh Hotel and vandalized the Juliana Hotel. Damage to the embassy and Thai businesses has been estimated at about \$50 million, although business claims for compensation are subject to negotiation with the Cambodian government. In its Aide Memoire of January 30, the Royal Thai Government (RTG) set as a condition for restoration of normal relations the full compensation for all losses incurred by the RTG, its diplomatic personnel and Thai nationals.

The Cambodian government paid \$5.6 million as recompense for the Thai embassy. The funds were reportedly derived from Phnom Penh municipality revenue surpluses. Private claims are under negotiation; unconfirmed reports indicate future tax credits are being offered.

*Question.* Given the failure of the Cambodian Government to protect the Embassy of Thailand from rioters, has the State Department considered suggesting a more secure venue outside of Cambodia for the upcoming ASEAN meeting in June?

*Answer.* No. As Secretary Powell stated at the April 30 hearing, he plans to attend meetings in connection with the ASEAN Regional Forum and ASEAN Post Ministerial Conference, which are being held in Phnom Penh in mid-June with Cambodia as chair. Responding to direct requests from the United States and other missions, the Cambodian government has taken steps to improve security. The concrete steps taken to date include the provision of more security personnel for some embassies, closer coordination on embassy security issues, and stricter enforcement of regulations regarding the holding of public demonstrations. We continue to press for more action on safety. We note that Cambodians held the ASEAN summit last November without security problems.

*Question.* Does the State Department find any inconsistencies in its support for a Khmer Rouge tribunal that relies upon Cambodia's corrupt legal system and its repeated condemnation of the lawlessness and impunity that reigns in Cambodia today?

*Answer.* We remain committed to the establishment of a credible Khmer Rouge Tribunal inside Cambodia that relies upon U.N. participation, which sends a powerful message to the Cambodian people that the international community cares about their suffering and that those responsible will be held accountable. Given international involvement, we expect that the Tribunal will exercise its jurisdiction in accordance with international standards of justice, fairness, and due process. We also expect that passage and implementation of this agreement will meet the standards set out in U.N. General Assembly resolution 57/228 of December 18, 2002, to ensure a credible tribunal.

With many of the perpetrators very advanced in age and some having died without being held accountable, this may be the last opportunity for the people of Cambodia to see justice for the egregious crimes of the Khmer Rouge regime.

We continue to speak out strongly against political violence, corruption, and the climate of impunity in Cambodia. To help end this climate of impunity, we seek to promote the rule of law. The U.N.-Cambodia agreement presents a unique opportunity to seek justice for the people of Cambodia and to advance the rule of law. We recognize, however, that achieving a credible process will not be easy given the state of the judiciary in Cambodia today. After the July election, we will be joining other U.N. member states in seeking strong international support to help successfully implement the KR Tribunal. According to the U.N.-RGC agreement, should the RGC change the structure or organization of the Extraordinary Chambers or otherwise cause them to function in a manner that does not conform with the terms of the agreement, the United Nations reserves the right to cease to provide assistance, financial or otherwise, pursuant to the agreement.

*Question.* Does the State Department acknowledge—as former forestry monitor Global Witness asserts—that CPP is securing much needed funding for elections through illegal logging?

*Answer.* The Administration has long made clear its views on the responsibility of the Cambodian authorities to prevent illegal logging, most recently through an April 25 State Department Spokesman's Statement.

We have reason to believe that officials receive illegal logging revenues. However, we have no independent confirmation that the CPP is securing such funding for the elections. Corruption is a severe problem in Cambodia, as is illegal logging. Moreover, the State Department is concerned about the lack of serious election campaign finance regulation in Cambodia and other election abuses; the National Election Committee must show the world that it can properly regulate the elections. Aside from the overall election regulatory framework, our chief concerns regarding elections are to work to eliminate politically motivated violence, coercion and intimidation, and to seek equal access to the media for all political parties.

*Question.* Is Indonesia waging an effective war against terrorism, and does President Megawati have the political will necessary to clamp down on Islamic fundamentalists?

*Answer.* Since the terrorist attacks in Bali on October 12, 2002, the Indonesian government has waged a very effective campaign against terrorist networks on its soil. In the past six months, the Indonesian National Police have arrested over 60 suspected members of the Jemaah Islamiyah terrorist organization, which is believed to be responsible for the Bali atrocity and numerous other attacks. About 20

of those arrests have occurred within the past two weeks, which indicates that the Indonesian authorities remain committed to tracking and dismantling terrorist groups. Although the threat of terrorism in Indonesia still exists, the progress of the Indonesian police has disrupted ongoing planning of attacks and has eroded—but not completely eliminated—the ability of terrorist groups to carry out those attacks.

In addition, the trial of Jemaah Islamiyah's purported spiritual leader, Abu Bakar Ba'asyir, began on April 23. Ba'asyir is charged with seeking to overthrow the Indonesian government by violent means, and faces severe punishment for treasonable offenses if he is found guilty. His indictment also accuses him of approving a series of bombings of 38 churches in Indonesia in 2000, which resulted in 19 deaths. So far, there has been minimal public outcry against Ba'asyir's arrest and trial, which demonstrates the Indonesian people's rejection of terrorist tactics.

We continue to emphasize to President Megawati and the Indonesian government that the fight against terrorism is an ongoing endeavor, and must not be allowed to flag in the wake of these important arrests and prosecutions. The vast majority of the Indonesian public opposes terrorist violence, and will support the Indonesian government's efforts to clamp down on individuals and organizations that attempt to use violence to further political goals.

*Question.* What has been the response of the State Department to Indonesian politician Amien Rais's comments last month that President Bush should be tried by the United Nations as a war criminal?

*Answer.* The State Department does not make a practice of responding to every criticism of U.S. policy voiced by individual Indonesian politicians. However, the State Department has complained to the Indonesian government on numerous occasions, particularly during the recent hostilities with Iraq, about intemperate, inaccurate, and in some cases reprehensible remarks made by various political figures about President Bush and the United States. Those complaints have been registered both with the Indonesian Embassy in Washington, and directly with Indonesian government authorities in Jakarta.

*Question.* Two students recently received three year jail terms for burning photographs of President Megawati and Vice President Hamzah Haz. Do these draconian sentences indicate a backsliding of political and legal reforms in Indonesia?

*Answer.* The two students were sentenced under Article 134 of the criminal code. The sentences are inconsistent with internationally accepted human rights norms as well as treaties signed by the Government of Indonesia. Public opinion in Indonesia is divided, with some criticism of the government for prosecuting these cases, along with assertions that the students' actions are not appropriate in the Indonesian cultural context.

The open discussion of these cases in the Indonesian media indicates that Indonesia's transition to democracy is generally on track, although by no means complete. The outcome of Indonesia's experiment with democracy has profound implications for our strategic interests in preserving regional stability and strengthening respect for human rights and the rule of law. The U.S. Government will continue to assist Indonesia with its effort to create a just and democratic society.

*Question.* Two students recently received three year jail terms for burning photographs of President Megawati and Vice President Hamzah Haz. How will crackdown on freedom of expression impact election campaigning in the run up to parliamentary and presidential polls next year?

*Answer.* With substantial U.S. Government assistance, Indonesia has made considerable progress in its political reform efforts, and is on track to hold its first direct Presidential election and its next Parliamentary elections in 2004. The eve of an election year is bringing predictable political struggles to Indonesia, and members of the public are exploring avenues to voice their discontent with government policies. This is all part of the democratic process, and should be seen as evidence of continued growth rather than portents of instability.

To date, we have not seen a pattern of suppression of the public's freedom of speech or expression.

*Question.* Two students recently received three year jail terms for burning photographs of President Megawati and Vice President Hamzah Haz. Has President Megawati issued any public statements condemning the sentences?

*Answer.* President Megawati has not made any public comments on the sentences.

*Question.* Is the State Department concerned that Thailand has exercised extra judicial executions in its campaign to crackdown on drugs?

*Answer.* We are deeply concerned by the wave of killings that has accompanied Thailand's anti-drug campaign, which began on February 1, 2003. We have had numerous discussions with senior Thai officials in both Bangkok and Washington on this topic. In these discussions, we have urged that all these cases be thoroughly and credibly investigated, and that criminal charges be brought against any sus-

pected perpetrators. We welcome the Royal Thai Government's public declaration that all violent deaths will be thoroughly investigated, and that government officials who break the law will be held accountable for their actions.

*Question.* Has Thailand been a cooperative partner in the war on terrorism, and how concerned are you with terrorist activity in southern Thailand?

Answer. Thailand continues to cooperate closely with the United States on all aspects of counterterrorism, including intelligence, law enforcement and counterterrorism finance. Thailand was an active supporter of Operation Enduring Freedom, and Thai military engineers are currently doing reconstruction work in Afghanistan. Thailand has hosted several U.S.-Thai military exercises with significant counterterrorism components. It has also established an inter-agency financial crimes group to coordinate counterterrorism finance policy. Recently, Thailand indicated its willingness to join a critical border security program called the Terrorist Interdiction Program.

Despite recent advances in the global war on terror against both al-Qaida and Jemaah Islamiyah, the terrorism threat remains significant, and we must remain vigilant. As a major transportation hub, Thailand remains vulnerable to the activities of terrorists and their operatives. We are confident of the Royal Thai Government's commitment to the counterterrorism effort and continue to encourage Thailand and its neighbors in Southeast Asia to strengthen their ability to respond to terrorist threats.

*Question.* What is our exit strategy for Plan Colombia, and do you foresee continued substantial foreign assistance requests for Colombia?

Answer. United States policy towards Colombia supports the Colombian Government's efforts to strengthen democratic institutions, promote respect for human rights and the rule of law, intensify counter-narcotics efforts, foster socio-economic development, address immediate humanitarian needs, and end the threats to democracy posed by narcotics trafficking and terrorism. We will measure the success of our programs by their effectiveness in reducing illegal drug cultivation and terrorism, and fostering improvements in all areas of Colombian life.

It would be misleading to attempt to provide an expected time schedule for full achievement of United States objectives in the country; Colombia's deep-seated internal conflict dates back almost 40 years. Realization of U.S. policy goals will require a concerted Colombian strategy and effort—backed by sustained U.S. assistance over a period of years—to establish control over its national territory, eliminate narcotics cultivation and distribution, end terrorism, and promote human rights and the rule of law.

The Uribe administration has demonstrated a serious commitment to pursuing these objectives with a variety of counterdrug, humanitarian, and security measures. President Uribe has already demonstrated impressive progress towards achieving Plan Colombia goals. The GOC appears to be largely on track to fulfill its financial obligations under Plan Colombia and has taken measures to increase the percentage of GDP destined for security expenditures. The most recent CNC figures showing a decline in the amount of coca cultivation is encouraging. Nevertheless, Colombia will continue to need substantial U.S. help and support if it is to succeed in accomplishing its objectives. We are only halfway through the Plan Colombia timetable, and we would expect to continue significant assistance to Colombia at least through 2006. Over the longer term, and with continued progress towards achieving the goals that the Colombians and we have set for ourselves, we would expect to drastically reduce our financial support to Colombia.

*Question.* Does the State Department believe that Colombia is capable—politically, monetarily, and technically—of sustaining Plan Colombia, absent U.S. funding?

Answer. Plan Colombia is a six-year program originally instituted by then-President Andrés Pastrana in October 1999. From the outset, the United States government praised and supported this comprehensive effort to address Colombia's many, inter-related problems and, with Congressional support, has committed itself to help the Government of Colombia sustain Plan Colombia with training, equipment and funds. We are now about halfway through the Plan. Despite the Government of Colombia's remarkable progress in implementing the Plan, Colombia will need continuing United States assistance.

Colombian President Alvaro Uribe took office in August 2002; he immediately endorsed and expanded upon Plan Colombia. Politically, President Uribe has maintained public support for Plan Colombia and his own more stringent fiscal measures. Soon after his inauguration, Uribe imposed a one-time tax on the assets of the wealthiest segment of Colombians. Colombian authorities expect this tax to yield the equivalent of 1.2 percent of gross domestic product (GDP), between \$800 million and \$1 billion. The Colombian 2003 budget also calls for increased government de-

fense expenditures, which would increase military, and police spending. The Uribe Administration convinced the Colombian Congress to enact extensive, longer-term tax and pension reform packages and is moving ahead with a referendum on reducing government operating costs.

Monetarily, Colombia will continue to need substantial United States help and support if it is to succeed in defending its democracy and the rule of law from narcotraffickers while improving human rights and promoting development—all goals of Plan Colombia. In 2002 President Uribe promised President Bush that his government would, consistent with the 2002 Supplemental Appropriations Act, establish comprehensive policies to eliminate narcotrafficking as well as to reform the Colombian military and police. Uribe has delivered on his promise to furnish significant additional financial and other resources to implement those policies and reforms.

The Colombian government's national security strategy, will set out the Uribe Administration's plans to dedicate even more Colombian resources to improving security while fighting the drug trade. President Uribe has repeatedly stressed that Colombia is undertaking these commitments to ensure the effectiveness of joint efforts with the United States Government to achieve our common goals in combating narcotics trafficking and terrorism.

We have used U.S. assistance to give technical support, in the form of equipment, advisors and training to support Plan Colombia. It will take more time to train enough pilots, soldiers, judges, agricultural experts, and others that Colombia will need to staff Plan Colombia completely with Colombians, but we are well on the way.

*Question.* Reports indicate that while aerial spraying may be working in Colombia, increased coca growth is appearing in neighboring countries, including Bolivia (20 percent above 2001 levels) and Peru (5 percent above 2001 levels).

What is the State Department's strategy for curtailing this spill-over effect, and have Bolivia and Peru requested increased counternarcotics assistance?

*Answer.* We are very pleased that the recently-released CNC "Major Narcotics Producing Nations" report shows a 15 percent decrease in coca cultivation in Colombia for 2002, including an 80 percent reduction in the principal production area of Putumayo. This success in Colombia will increase the pressure to cultivate coca elsewhere, especially in Peru and Bolivia where there is a past history of coca cultivation. As long as coca is a good cash crop, people will farm it wherever it provides the most profit for the least risk and effort. This is the reason our attack against cocaine is based on a regional and global strategy.

Although our major attention and resource focus during the last three years has been Colombia, we have continued major and long-term programs in Bolivia and Peru to combat the immediate problem of coca cultivation and build permanent, professional capacity in each country to combat all facets of drug trafficking from raw resources to final product. We have smaller programs to improve the drug fighting infrastructure and regional cooperation (especially in controlling cross-border smuggling) in other countries neighboring Colombia and within the major drug trafficking transit corridors.

While there were increases in coca cultivation in Peru and Bolivia this last year, both countries are still well below their peak productions—over 70 percent less than in the mid-1990s. Because of past eradication success, the actual coca cultivation increase in 2002, while of continuing concern, is not as large as might appear based on percentages: a total 7,100 hectares increase for both countries combined, compared to a regional total of over 205,000 hectares. We are maintaining our fiscal year 2004 funding requests at the fiscal year 2003 levels for Peru and Bolivia, focusing on firming up the political support for counter-drug policies rather than program expansion. We will continue serious eradication and counter-drug institution building in both countries with the current fiscal year 2003 budget and fiscal year 2004 budget request.

*Question.* Did Armenia offer support to Operation Iraqi Freedom, and have they offered any assistance in the post-Saddam period?

*Answer.* Armenia has been and continues to be concerned about the situation in Iraq because of the sizeable ethnic Armenian population there. There are reportedly 30,000–40,000 ethnic Armenians living in Iraq, and between 7 and 12 Armenian churches in Iraq. Ambassador Ordway is in close contact with officials of the Armenian government to discuss contributions Armenia can make in the reconstruction of Iraq.

*Question.* There have been numerous discussions between the proponents of the CANDLE project for Armenia and the State Department.

Given declining funding levels for Armenia and the costs associated with this project—between \$40 and \$70 million—does the State Department intend to support this project?

Answer. The State Department is continuing discussions with the sponsors of the proposed CANDLE project. We previously requested a number of items from the CANDLE sponsors, including evidence of support from the Government of Armenia, commitments of funding from other donors and/or investors, and commitments of funding for ongoing operating costs. When these items are provided, the State Department will be in a position to consider providing additional funding for this project. Declining funding levels for Armenia will definitely play a part in our decision whether to provide further funding for this project.

*Question.* How might Aliyev's incapacitation impact negotiations over Nagorno-Karabakh?

Answer. A peaceful, mutually acceptable resolution of the conflict over Nagorno-Karabakh will require that both sides make politically difficult compromises. This will require strong leadership in both Armenia and Azerbaijan capable of selling an agreement to the two countries' publics.

Both President Aliyev in Azerbaijan and President Kocharian in Armenia have made clear that they are committed to the peace process. We believe that they play key roles in the search for peace.

*Question.* Has there been any notable progress in negotiations between Armenia, Azerbaijan, and Nagorno-Karabakh over the conflict?

Answer. Momentum generated at the Key West peace talks in April 2001 waned in 2002. This February, presidential elections were held in Armenia. Parliamentary elections will be held there in late May, followed by presidential elections in Azerbaijan in October. The political atmosphere surrounding these elections has caused both sides to adopt conservative approaches to the peace process, which will likely continue through the fall.

The OSCE Minsk Group Co-Chairs (United States, Russia, and France) continue to promote negotiations between the parties. The Co-Chairs instituted an additional level of talks in 2002 between Special Representatives of the two Presidents. These talks supplement the Co-Chairs' visits to the region and meetings between the Presidents. The Co-Chairs are working to lay the groundwork for serious negotiations as soon as the two sides are ready to move forward. We believe the period following the elections in Azerbaijan will provide an important new opportunity to make progress in the peace process.

*Question.* What are the next steps in engaging North Korea on a multilateral basis, and given past deceptions, how does the State Department determine whether the North Korean regime can be trusted to negotiate in good faith?

Answer. The Administration is actively considering next steps in light of our discussions in Beijing and our subsequent, ongoing consultations with South Korea, Japan, China, and other key concerned states and parties. Precisely whether and/or how we proceed on further multilateral talks remains to be determined, but we have not excluded the possibility of a further round of talks in Beijing, at which we would deem essential the participation of Japan and South Korea.

As to whether the North would negotiate in good faith, the United States seeks the verifiable and irreversible termination of North Korea's nuclear weapons program. We will not negotiate rewards or inducements to obtain this or North Korea's necessary compliance with the NPT, the North-South Denuclearization Declaration, or its other international obligations. If North Korea acts to terminate its nuclear weapons program the United States is prepared to consider a bold approach that would create a fundamentally new relationship, to the extent North Korea is prepared to address other long-standing American concerns in the areas of WMD and missile proliferation, its conventional force posture, and human rights and humanitarian matters.

#### NORTH KOREA

*Question.* How can North Korea be compelled to comply with its obligations under any agreement, and how can the North's compliance with agreements be adequately verified?

Answer. Any resolution of the nuclear issue must include the views of North Korea's neighbors, particularly the ROK and Japan. We are working with the international community to apply multilateral pressure to change North Korea's behavior and to ensure that North Korea responds to the international community's demands that it irreversibly and verifiably dismantle its nuclear weapons program and comply with its international obligations.

Verification will be an essential component of the elimination of North Korea's nuclear weapons program. The International Atomic Energy Agency (IAEA) is a logical partner to verify full dismantlement of North Korea's nuclear weapons program and establish an on-going monitoring program. If needed, the IAEA can access technical support from appropriate states to address any unique challenges that may arise.

*Question.* What more can the United States do to safeguard the human rights and dignity of the people of North Korea, including those seeking refuge in China?

*Answer.* I share your concern about the repression and suffering of the North Korean people and am committed to keeping human rights and humanitarian concerns high on our agenda with North Korea. During talks in Pyongyang in October 2002, Assistant Secretary for East Asian and Pacific Affairs James A. Kelly highlighted United States concerns about the deplorable human rights record of the North Korean regime. Assistant Secretary Kelly also raised these concerns in the talks on North Korea in Beijing April 23–25. Assistant Secretary of State for Democracy, Human Rights and Labor Lorne W. Craner has also raised concerns about North Korean refugees in the context of our human rights dialogue with China held in Beijing in December.

The involuntary return of some North Koreans in China to the DPRK is a matter of deep concern to this Administration. State Department officials in Washington and Beijing have expressed on multiple occasions our concern to the Chinese, and have pressed them not to return any individual to North Korea against his or her will. We consistently urge China to adhere to its international obligations under the 1967 Protocol on Refugees and allow UNHCR access to this vulnerable population in order to assess the status of these individuals.

In April, the United States, in close coordination with the EU, South Korea, and Japan, co-sponsored a resolution addressing the human rights situation in North Korea at the 59th session of the U.N. Commission on Human Rights (CHR). The resolution called on the Government of the Democratic People's Republic of North Korea to respect and protect the human rights of its citizens. The resolution, the first such on North Korea, passed by a vote of 28 to 10, with 14 abstentions.

Finally, the United States has been a significant donor of food aid to North Korea through the World Food Program's annual appeals. On February 25, I announced an initial donation of 40,000 tons of food assistance and that we are prepared to contribute as much as 60,000 additional metric tons of such aid this year. I am concerned about monitoring and access to all those in need in North Korea; we have conveyed this directly to the North Koreans. Additional food aid donations will be based on need in North Korea, competing needs elsewhere in the world and improvements in food aid monitoring in North Korea. Recognizing the deep and urgent need of the North Korean people, President Bush has made clear his determination that our food aid will not be used as a political tool.

Human rights and humanitarian concerns in North Korea will continue to have a prominent place in our North Korea policy, including our multilateral discussions on North Korea with South Korea, China, Japan, and others.

#### AFGHANISTAN

*Question.* To what extent is Iran hampering reconstruction and democratic reform in Afghanistan?

*Answer.* We do not believe Iran is hampering reconstruction in Afghanistan. However, we see continuing efforts to channel support to people inside Afghanistan working against the central authority. We have made clear that this is unacceptable.

To date, Iran has pledged support for the Government of Afghanistan and has played an active role at donor meetings. On December 22, 2002, Iran signed, with Afghanistan and Afghanistan's other five neighbors, the Kabul Declaration on Good Neighborly Relations that commits the nations to constructive and supportive bilateral relationships based on the principles of territorial integrity, mutual respect, friendly relations, cooperation and non-interference in each other's internal affairs. At the Tokyo Conference in January 2002, Iran pledged \$560 million (a mixture of grants and loans) over six years towards Afghan reconstruction. Since then, Iran has been actively engaged in the rehabilitation of the road from Islam Qala on the Iranian border to Herat in western Afghanistan and in the repair of electricity transmission lines, and has signed an agreement with Afghanistan and India to provide greater access to the Iranian port of Charbahar.

Iran has also worked positively with Afghanistan to support regional narcotics interdiction efforts and has provided \$3 million to support alternative livelihood assistance in provinces where the Afghan Government is destroying poppy crops.

*Question.* What preparations are taking place to support national elections in Afghanistan scheduled for June 2004, and are there any discussions taking place to postpone the elections in order to better prepare for the polls?

*Answer.* The United States supports the Afghan Government's commitment to holding the elections in June 2004, as called for in the Bonn Accords. We have budgeted \$22 million in ESF for fiscal year 2003, and requested \$30 million for fiscal year 2004, to support the Bonn-related activities. A modest portion of these funds will support the elections process.

Under the Bonn Accords, the U.N. Assistance Mission in Afghanistan (UNAMA) is charged with helping prepare for Afghan elections. UNAMA is preparing a budget for registration and elections, and initial indications point to costs well in excess of \$100 million. This budget remains mostly unfunded. Registration is nonetheless expected to begin in August 2003, and we are working closely with Afghan and U.N. officials to rally other donors to fill the anticipated funding gap. UNAMA also is supervising a national public education campaign, and the International Foundation for Election Systems (IFES) is completing an assessment of logistical requirements for the elections.

*Question.* What steps has Pakistan taken to rout Afghan terrorists from their soil, and is there any indication that these terrorists are in contact with active or retired Pakistani intelligence officers?

*Answer.* Pakistan is a key ally in the war against terrorism and continues its active measures against extremists and terrorists. President Musharraf has given Pakistan's full commitment to the United States to track down and apprehend Taliban and al-Qaida leaders.

Since the fall of 2001, Pakistan has apprehended more than 500 suspected al-Qaida/Taliban operatives and affiliates, including September 11 plotter Ramzi bin al-Shibh and al Qaida operational commander Khalid Sheikh Mohammed. It has moved against terrorists and extremists through its own legal system, and has committed its own security forces—and taken casualties—to pursue Taliban and al-Qaida in its border regions. We are pleased with this excellent and continuing cooperation.

We are aware of reports that some retired ISID intelligence officers, who are believed to have been strong Taliban supporters continue to speak in support of the Taliban. We are unaware, however, of any Government of Pakistan policy to support the Taliban or any other terrorists. We continue to discuss Pakistan-Afghan relations with President Musharraf and Prime Minister Jamali, and have received their assurance that Pakistan supports the Karzai government and is actively working to strengthen both the Afghan government and the two nations' bilateral relationship.

*Question.* What is the long-term economic impact of SARS on the China and Hong Kong economies, economic stability in China and Hong Kong?

*Answer.* The long-term impact of the SARS outbreak on the economies of China and Hong Kong will depend to a large extent on the duration of the crisis and, in the case of China, the geographic scope of the spread of SARS. So far, certain areas of China, such as Beijing and Guangdong, have had the highest incidence of SARS; other areas of the country have reported relatively low numbers of SARS cases, but China's capacity for disease surveillance in rural areas is relatively weak. Thus, it may be some time before the full extent of China's outbreak, as well as its effectiveness in containing it, is understood.

SARS has already delivered a strong short-term shock to both economies, especially in the tourism and travel sectors. Private economic estimates suggest SARS could cut China's GDP growth in 2003 by 0.5 to 2 percentage points. For Hong Kong, with an economy more dependent on travel and tourism, analysts have cut their estimates for 2003 GDP growth by as much as 1 to 3 percentage points.

However, most economists continue to assess that this shock will not lead to a broader and deeper economic crisis, unless the SARS epidemic continues to spread in the coming weeks and months.

The number of cases continues to grow in Mainland China, including in the rural areas, where public health infrastructure is weakest. However, China is now taking aggressive steps to contain and control SARS, including restricting travel, closing schools and other public places, and quarantine of those infected with SARS. The WHO and U.S. Department of Health and Human Services through its Centers for Disease Control and Prevention (CDC), at China's request, have fielded a small number of technical assistance teams throughout the country to provide epidemiological investigation and containment guidance. The WHO and CDC also has a team in Hong Kong. The United States and a number of other countries are now finalizing emergency assistance packages to help China control SARS. A number of private U.S. companies also are providing financial assistance and donating supplies to assist this effort.

*Question.* Given the firing of senior Beijing officials and the SARS-related rioting that recently took place near Tianjin, what are the political implications of SARS on the Chinese government's authority?

*Answer.* The SARS-related protests and disturbances that are taking place in China seem to be symptoms of the Chinese people's dissatisfaction with the way the SARS outbreak is being handled at the local level. However, President Hu Jintao and Chinese government senior leaders may very well feel as though their political legitimacy and credibility among the Chinese people are at stake. The April 20 dismissals of Health Minister Meng Xuenong were designed to demonstrate to the public that China's leaders at senior levels will be held accountable for any missteps in the fight against SARS.

Severe restrictions on travel, the forced quarantines of suspected and real SARS cases, and the creation of SARS-only clinics will continue to test the government's relationship with its citizens, many of whom deeply distrust the government. More protests are likely. The Chinese government, however, may fear that not implementing draconian measures will further the SARS virus' spread and could lead to a potentially fatal loss of public confidence in its leadership. Consequently, it appears willing to risk relatively small-scale local protests against its policies to achieve the larger goal of stamping out SARS.

*Question.* How might the initial response to SARS impact the new leadership of President Hu Jintao?

*Answer.* China's initial response to the SARS outbreak seriously damaged its international reputation and cast doubt on the willingness and ability of Hu Jintao and China's senior leaders to responsibly manage and contain the health crisis. Following the dismissals of Minister of Health Zhang Wenkang and Beijing Mayor Meng Xuenong from their posts on April 20, senior leaders, and President Hu in particular, have been much more active and forthcoming about the seriousness of the outbreak. They have provided daily updates on new cases and are showing a commitment to containing the outbreak. While these efforts have offset some of the damage done to the image of China's leaders, containing the outbreak is still the greatest challenge facing the Hu administration. It remains to be seen whether SARS is a challenge they can overcome.

*Question.* What leverage does China have over North Korea to continue multilateral dialogue, and are you confident that China will exert the appropriate amount of pressure on the North Korean government to continue this dialogue?

*Answer.* As a member of the United Nations Security Council Permanent 5 and as the neighbor, donor of aid, longtime ally, and largest trading partner of the DPRK, China has considerable influence with the North Korean government. We are cooperating well with the PRC on this matter, and China has consistently indicated its support for a non-nuclear Korean peninsula and has engaged seriously with the DPRK regime to emphasize to Pyongyang that its nuclear activities are unacceptable to the PRC and the international community. The recent multilateral talks in Beijing would not have happened without China's efforts to get the DPRK to the table. China's role as a full participant in those talks is a demonstration of the seriousness with which China now views the North Korean nuclear issue. We are confident that China's strong interest in and stated commitment to a non-nuclear Korean Peninsula will ensure that Beijing keeps appropriate pressure on the DPRK to reverse its present course, comply with its commitments, and address the serious concerns of the international community.

*Question.* What is the State Department's strategy for promoting democracy, human rights, and rule of law in China?

*Answer.* While we remain seriously concerned about human rights abuses in China and about several recent events such as the execution of a Tibetan without due process and the arrest of a number of dissidents, we have seen signs of incremental progress in the last year overall. Our strategy is to advance democracy, human rights, and rule of law through bilateral and multilateral channels, and through projects that advance long-term democratic and legal reform.

When we resumed the bilateral human rights dialogue in October 2001, we made clear that dialogue alone was not sufficient and tangible results would be required. During the December 2002 round of human rights discussions, the Chinese agreed to invite without preconditions the U.N. Special Rapporteurs on Religious Intolerance and Torture, the Working Group on Arbitrary Detention, and the leaders of the Congressionally-chartered U.S. Commission on International Religious Freedom. Since the October 2001 round of talks, China has released ten political prisoners, including China's "Godfather of Dissent" Xu Wenli and seven prominent Tibetan prisoners. In addition, the Dalai Lama's brother and personal representatives traveled to Tibet and Beijing for talks in July and September respectively. The President and the State Department have spoken out repeatedly against the persecution

of Uighur Muslims in Xinjiang, reminding the Chinese that the War on Terror should not be used as an excuse to crack down on those who express their political and religious views peacefully.

As for projects to promote reform, the Department made approximately ten grants for a total of \$7 million dollars in fiscal year 2002. We support legal reforms to protect citizens' rights at the grassroots, strengthen the provision of legal services to women, promote worker rights and the rule of law, and help realize judicial independence. We are funding programs to expand electoral democracy and increase transparency and public participation in politics. We are also supporting NGO's that define themselves as advocates for interest groups for the disenfranchised. In 2003, we will expand our efforts and continue to seek out cutting-edge programs.

*Question.* Has any evidence been uncovered in Iraq that indicates the transfer of Kolchuga radar system took place?

*Answer.* At this time, we have no confirmed evidence that Kolchugas are in Iraq. The question of whether Ukraine transferred Kolchugas to Iraq remains open.

*Question.* What support has Ukraine provided to Operation Iraqi Freedom?

*Answer.* Ukraine's deployment of a nuclear-biological-chemical (NBC) protection battalion to Kuwait was a welcome contribution to coalition forces. President Kuchma's personal support for the deployment was instrumental in obtaining Rada approval. Ukraine also provided heavy transport aviation for the coalition. We are currently discussing with senior Ukrainian officials possible Ukrainian participation in a post-conflict stability force.

*Question.* The Ukrainian Government continues to deny United States democracy-building NGOs the ability to register in Ukraine.

What steps has the State Department taken to ensure that the Ukrainian Government registers these NGOs, and what difficulties do these NGOs encounter working in Ukraine?

*Answer.* We are pleased that the Government of Ukraine recently registered the Institute for Sustainable Communities, an NGO involved in development of civil society. We are disappointed, however, that the government has not renewed the registration of International Democratic Institute or International Republican Institute projects, despite repeated promises over the past year to act on their application. We continue to raise our concerns about this issue at every opportunity and all levels of the government. While NDI and IRI have continued to operate effectively, their unregistered status has led to difficulties related to personnel and other administrative issues and renders them and their Ukrainian partners vulnerable to various forms of government pressure and harassment.

*Question.* Has the Ukrainian Government demonstrated a more firm commitment to the rule of law through greater respect and protection of human rights or transparent and fair resolution of business disputes involving foreign companies?

*Answer.* The Government of Ukraine has improved its human rights record in some areas, but serious problems persist, especially with respect to harassment and intimidation of journalists. Over the past several years, the Government of Ukraine has taken steps to improve the administration of justice, including the enactment in 2001 of the Law on the Judicial System and the Law on Enforcement of Foreign Court Decisions. Passage early this year of a forward-leaning Civil Code was undermined by concurrent passage of a retrograde and contradictory Economic (Commercial) Code. The judiciary continues to depend on the executive branch for funding, which limits its independence. In late January, the Government again expressed a commitment to resolve a number of long-standing disputes involving U.S. companies, but concrete progress in this area remains slow.

*Question.* What role is Russia playing in the reconstruction of Afghanistan, and what assistance has Russia provided to the Afghan MOD?

*Answer.* The Russian Government has pledged USD 46 million in military spare parts, vehicles, aircraft and supplies, but as yet nothing has actually been delivered yet. The Russians also were prepared to provide a combat search and rescue support during OEF. However, no emergencies requiring Russian assistance materialized.

*Question.* What is the status of the withdrawal of Russian military bases in Georgia?

*Answer.* At the Istanbul OSCE Summit in 1999, Russia and Georgia agreed that Russia would withdraw forces in excess of agreed levels by the end of 2000 (this task was completed by Russia on time); that Russia would disband its military bases at Vaziani and Gudauta by July 1, 2001; and that Russia and Georgia would reach agreement on the duration of the Russian presence at two remaining bases, Akhalkalaki and Batumi.

Vaziani was disbanded and transferred to Georgia on time; while the Russian regular military unit at Gudauta has been withdrawn, Russian "peacekeeping" forces remain at the base.

At this point Russia and Georgia need to resolve two key remaining issues: the duration of the Russian presence at the Akhalkalaki and Batumi bases, and the status of the Russian presence at Gudauta, including related transparency steps.

In the most recent Georgia-Russia Ministerial-level meeting on these issues in February, the two sides exchanged ideas on Gudauta, but there was no movement on the question the duration of the Russian presence at the two other bases. Russia insists that, absent large financial support, it will need 11 years to close the two bases. Georgia insists Akhalkalaki and Batumi should be closed within three years.

We are encouraging the two parties to intensify their efforts to resolve these remaining issues.

NATO Allies have made clear that we will not submit the Adapted Conventional Forces in Europe (CFE) Treaty for ratification by parliaments until key Istanbul commitments—on the CFE flank, Georgia, and Moldova—are fulfilled. Good progress is currently being made in Moldova with regard to withdrawal of Russian military equipment and munitions; NATO Allies now regard the flank reduction commitment as having been met.

*Question.* Given declining foreign assistance to Russia, what are the State Department's plans for continuing democracy and rule of law programs in that country?

*Answer.* Russia has made remarkable progress in economic reforms, but still faces challenges to its democratic development. FREEDOM Support Act (FSA) funding is slated to decline beginning in fiscal year 2004, but democracy and human rights programs will continue for several years to come. During this time, we will increasingly focus on democracy and rule of law to ensure that we consolidate and sustain the progress made over the past decade. We will seek to advance structural changes that are needed to create a hospitable environment for Russian civil society.

FSA technical assistance programs have played a vital role in advancing progress toward rule of law in Russia, including supporting every aspect of the development of the new criminal procedure code, which has drastically changed the roles for Russian judges, prosecutors and defense attorneys. Our focus is now on helping the Russian bar consolidate the gains it has made, particularly by sponsoring professional education events to help the bar hone its advocacy skills.

In addition to FSA democracy programs, we will continue to support civil society development and democracy via National Endowment for Democracy, Embassy Democracy Commission, U.S.-Russian citizen contacts, and professional and student exchanges.

*Question.* What is the State Department doing to end harassment of foreign aid workers in Russia by their intelligence services?

*Answer.* The U.S. Government is deeply troubled by a pattern of harassment by Russian special services of Americans (and others) involved in cooperative programs in Russia. This is inconsistent with the spirit of the broader U.S.-Russia relationship. We have firmly urged senior Russian Government officials, including the Foreign Minister and the Director of the Federal Security Service, to put a stop to such activity—much of which we believe stems from Soviet-era thinking in the security service bureaucracies.

Official harassment includes but is not limited to: groundless allegations against the Peace Corps; harassment of the coordinators for U.S. Government assistance in the Russian Far East and for the Library of Congress funded Open World exchange program; and the denial of re-entry to the AFL-CIO Solidarity Center field representative, an OSCE Mission to Tajikistan staffer, and several missionaries.

Recently the Russian Government informed us it has relented on its decision to deny transit to the OSCE Mission to Tajikistan staffer, an American citizen. We continue to press Moscow to re-think its other decisions of this type, emphasizing these are damaging to Russia's image abroad and working against President Putin's pledges to build a strong, open civil society and robust democratic political system.

*Question.* What steps has the State Department taken to ensure that Russia more fully complies with international human rights laws in Chechnya?

*Answer.* We remain concerned by continuing, credible reports of violations of human rights and humanitarian law in Chechnya by Russian federal forces, forces of the Kadyrov administration, and Chechen separatist fighters. The most serious include arbitrary detentions of civilians, disappearances, and extrajudicial executions. These incidents are continuing—and in some respects reportedly have increased—despite President Putin's injunction to stop the large-scale security sweeps that used to result in such abuses. We continue to press the Russian government, including in our private meetings and through our vote for the Chechnya resolution at the UNCHR this spring, to put an end to these abuses and to investigate and bring to account the persons responsible, as well as to work for a durable political settlement.

Some Chechen separatist fighters have carried out terrorist attacks against civilians, including the assassination of local government officials. Some Chechen group seized a theater in Moscow last October and carried out a suicide truck bombing of the main government building in Grozny in December. We have called on the Chechen separatist leadership to repudiate, in word and in deed, terrorist acts and individuals, be they Chechen or international. The evidence so far suggests they have much more to do in this area.

On the political side, we are encouraging the Russian Government to follow through with public commitments it has made in relation to the March 23 constitutional referendum in Chechnya. We hope this will initiate a political process including democratic elections for institutions of self-government acceptable to the people of Chechnya, and ultimately lead to a political solution of this long and tragic conflict.

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QUESTIONS SUBMITTED BY SENATOR PATRICK J. LEAHY

*Question.* Mr. Secretary, I mentioned Mr. Gingrich's speech in my opening statement. There are hundreds of former Congressmen in this town. They give speeches every day. You know why this one caught my attention? Because I believe that his sentiments are shared by senior officials in this Administration.

These officials favor force over diplomacy. They believe in going it alone. They believe that alliances and international institutions impede, rather than promote, U.S. interests. They believe that the Pentagon, not the State Department, should be handling key aspects of foreign policy.

Mr. Secretary, why are the State Department, and the idea of multilateralism, under such attack in this Administration?

Answer. This Administration is fully engaged multilaterally on a host of issues around the world. From HIV/AIDS and SARS to transnational terrorism, we are working closely through regional organizations, the United Nations, and other international agencies. We are actively developing a reconstruction effort in Iraq that will include the contributions of many nations, and as the interim authority grows into a full representative government for the people of Iraq, international institutions will play an important and significant role there.

*Question.* Only a couple of years ago, Condoleezza Rice was saying, and I quote: "We don't need to have the 82nd Airborne escorting kids to kindergarten."

We all know that Dr. Rice was exaggerating for effect. But, I agree with her basic premise: we don't want the Defense Department, whose mission is fighting wars, too deeply involved in nation building.

Despite that, the White House and the Pentagon wanted all the reconstruction funds for Iraq to be controlled by the Pentagon. I and others here did not support that, but we gave the discretion to the President to apportion the funds. Who's in charge over there? General Garner? General Franks? I have a Defense Department chart that shows who is responsible for which pieces of the reconstruction program. The State Department isn't even mentioned. Do you have any role yet, or is the State Department just an observer?

According to the AP, the President is expected to declare the end of major combat in Iraq by the end of this week. Shouldn't the State Department then assume responsibility for the relief and reconstruction phase?

How much of the \$2.4 billion has been spent, if any, and by which agencies? How much of it do you expect to be managed by State and USAID? What is—or will be—the U.N.'s role?

Can anyone compete for U.S. aid contracts, or are you going to punish companies from countries that didn't agree with us at the United Nations?

Answer. The situation on the ground in Iraq remains unstable; as such, there is no question that General Franks, as the military commander, is the governing authority and will remain so until stability is established and we are prepared to start handing off to civilian authorities. Creating a stable environment means, as a first step, ensuring that Saddam's entire ruling infrastructure and security apparatus is dismantled and disarmed, including irregulars and paramilitary forces, locating and securing WMD, and eliminating any residual terrorist infrastructure.

The establishment of a secure and stable environment still remains the key task in meeting Iraqis' immediate humanitarian needs. Therefore continued coordination with military forces, including civil affairs units and the Army Corps of Engineers, is of vital importance.

With respect to the Office of Reconstruction and Humanitarian Assistance (ORHA), there are currently dozens of State Department employees working with General Garner, including five Ambassadors. Deputy Assistant Secretary of State

Ryan Crocker has supported General Garner and Presidential Envoy Zalmay Khalilzad's efforts in the two regional political conferences that have started the process of establishing an inclusive, representative Iraqi Interim Authority. The State Department's Bureaus of Near Eastern Affairs (NEA), International Narcotics and Law Enforcement Affairs (INL), Economic and Business Affairs (EB) and Democracy, Human Rights and Labor (DRL) have been actively involved with ORHA for some time in a wide range of efforts, including supporting Iraqi efforts in the reconstruction of the criminal justice sector, the development of a prosperous, market-based economy and the establishment of democratic processes. Along with USAID, the State Department's Bureau of Population, Refugees, and Migration (PRM) is heavily involved in assisting United Nations, other international organization, and NGO humanitarian efforts on behalf of the Iraqi people.

As we transition from immediate security and humanitarian priorities, to institution building and the establishment of an economic and political process out of the interim authority, the State Department will play a greater role, as will other civilian government agencies.

Most of the \$2.4 billion appropriated for Iraq Relief and Reconstruction has not yet been allocated to individual agencies as assessment missions are still ongoing. We expect that USAID will control the largest portion of these funds for reconstruction along with State Department for remaining humanitarian needs, once allocated.

We are also calling upon the United Nations to play a vital role in Iraq. We have introduced a Security Council Resolution that establishes the position of a U.N. Special Coordinator to coordinate participation by the U.N. and other international agencies in humanitarian assistance and economic reconstruction, and assist in the development of a representative government. The Coordinator will also support international efforts to contribute to civil administration, to promote legal and judicial reform and human rights, and to help rebuild the civilian police force. There is a tremendous amount of work to be done, and U.N. expertise will be instrumental. As a practical matter, the Coordinator will serve as a principal point of contact for the United Nations in working with the Coalition and the Iraqi people.

Reconstruction contracts funded by U.S. taxpayers will be let in accordance with all relevant federal procurement regulations. USAID has been allowed to waive a provision of law in order to allow foreign firms to compete for reconstruction sub-contracts, and we have worked hard to ensure that our coalition partners and others are aware of these opportunities. All the information needed to compete for these projects is posted on the Internet at [www.usaid.gov](http://www.usaid.gov).

Saddam's regime continually put political favoritism and personal enrichment above the needs of the Iraqi people when making its procurement and contracting choices. The United States and our coalition partners will not do the same. We are confident that a new, representative Iraqi authority will not do so either.

*Question.* Mr. Secretary, the Administration used the possession of weapons of mass destruction (WMD) by Saddam Hussein as the primary justification for going to war. We seemed certain that Saddam Hussein had large numbers of WMD.

Yet so far, no such weapons have been found.

With all of the looting that followed after the fall of Baghdad, I am concerned that these weapons may now be outside of Iraq in the hands of terrorists.

Is there any credible information that these weapons have been smuggled out of Iraq? If so, could that pose an even greater threat than Saddam Hussein? Do we believe that they are still inside Iraq? Have they been destroyed?

Or, did we have bad information to begin with about the existence of these weapons?

*Follow up*

What happens if we haven't found anything in 6 months? 12 months? What conclusions should we reach—that they are in someone else's hands? That they never existed? That Osama Bin Laden or other terrorist network has them?

Answer. Iraq is now being disarmed. Coalition forces are engaged in searching for and securing WMD assets. What is emerging is that capabilities are more dispersed and disguised than we thought. All sources of information are being pursued. Even though we have no firm evidence that WMD has been smuggled out of Iraq, we will continue to watch carefully and act upon any information or indications we receive.

We are confident that WMD will be found. On-site inspection of suspect sites for hidden materiel is a daunting task. We are searching an area the size of California. And we are not talking about finding something as large and as stationary as an ICBM silo. Chemical and biological munitions can be hidden anywhere and production facilities could be set up in a building the size of a small house—or a basement. Likewise, Iraqi missiles, though larger, are mobile systems that are easily concealed. Recall also that the Iraqis had years to prepare underground and other fa-

cilities for the express purpose of hiding their WMD and missiles from U.N. inspectors.

We are also beginning to get cooperation from Iraqi scientists and former officials as well as computer files and documents that provide the clues and keys. We are interviewing some of these people and continue to seek others. With their help, we will find Iraq's WMD. And while some individuals are, indeed, proving helpful, we are talking about a cultural change. People have to be certain that the climate of fear and intimidation is truly gone for good before they will be willing to talk about the past.

The inspection process will take time to ferret out the Iraqi WMD. But be assured that it will do so. We are working closely with our Coalition partners, deploying multinational teams of experts to search Iraq.

Rather than set artificial deadlines, we are committed to staying the course until the job is done. Coalition forces continue to follow up leads, examine suspect sites and interview Iraqi scientists. We are confident that WMD will be found and we will ensure that it is eliminated.

*Question.* The Supplemental contains \$10 million for "Investigations and research into allegations of war crimes by Saddam Hussein and other Iraqis, and for a contribution to an international tribunal to bring these individuals to justice."

We specified "international tribunal" because the Iraqi judicial system is corrupt, bankrupt, and lacks credibility. This is the same reason why we have supported international tribunals to prosecute Serbian, Rwandan, and Sierra Leone war criminals.

However, we hear that the Administration is proposing an Iraqi tribunal to try accused war criminals. Why the different approach? Doesn't this risk the kind of "victors justice" that has been discredited in the past?

Answer. We believe that members of Saddam Hussein's regime who are responsible for crimes committed against Iraqi citizens should be held accountable before an Iraqi-led process, that could include tribunals and truth and reconciliation commissions. It is our policy to encourage and help states to pursue credible justice rather than abdicating their responsibility or having it taken away. Based on our consultations with Iraqi jurists and lawyers inside and outside Iraq, we believe there are qualified Iraqis who are ready and willing to accept the mandate of justice. Our goal is to help create the conditions that will allow them to make the essential decisions, while at all times providing the necessary international support and expertise. We believe this approach has the best prospects both to ensure accountability for the crimes of the previous regime and to help re-establish the rule of law in Iraq.

*Question.* The Defense chapter of the Supplemental contains \$25 million for aid to foreign countries to combat terrorism. This is a foreign aid program which should be funded by this Subcommittee and run by the State Department, not the Pentagon. I am also told that the Pentagon is seeking legislative authority to manage similar programs, with even more funding, in fiscal year 2004. Aren't you concerned about this? Should the Pentagon make its own foreign policy and manage its own foreign aid budget? As a former Chairman of the Joint Chiefs, doesn't this divert the Pentagon from its primary war fighting mission?

Answer. The Global War on Terrorism and combat operations in Afghanistan and Iraq require that we be responsive and adapt quickly to circumstances in extraordinary ways. It is in our interest to assist our foreign partners as they engage in operations against terrorists that threaten the United States and our friends and allies. The \$25 million in the Defense chapter of the President's Emergency Wartime Supplemental will be used to assist key foreign partners in improving capabilities to conduct counter-terrorist combat operations. The State Department has and will continue to work closely with the Pentagon as we press on in our fight against terrorism. Indeed, the legislation requires the concurrence of the State Department before proceeding. I want to assure you, however, that I have no plans to relinquish any of State's foreign policy prerogatives and authorities.

#### ISRAEL LOAN GUARANTEES

*Question.* The roadmap lays out a path to a peaceful settlement of the conflict. Are the terms of the roadmap negotiable? When Israeli officials say they disagree with various provisions in the roadmap, how do you respond?

Every U.S. Administration, including this one, has said it opposes the settlements, but the construction continues, as does the violence. What settlement activity is currently going on? Do you expect the settlement expansion to continue, despite the language in the supplemental?

Answer. *Regarding the roadmap.*—The roadmap is a framework for the broad steps Israel and the Palestinians must take to achieve President Bush's vision of peace, and thus offers a way for both sides to restart direct negotiations. There are obligations and difficult choices ahead for both sides. We have presented the roadmap to both sides and now look forward to their contributions on how best to move ahead on implementation.

*Regarding Israeli settlements.*—Settlement activity is simply inconsistent with President Bush's two-state vision. As President Bush stated, "as progress is made toward peace, settlement activity in the Occupied Territories must end." This view has been made abundantly clear to the Government of Israel. In addition, consistent with the legislation that authorized the loan guarantees for Israeli, Israeli expenditures on settlements must be deducted from the loan guarantees.

#### COMPLEX EMERGENCY FUND

*Question.* Among the increases is \$100 million for an emergency fund for "complex foreign crises." Isn't this essentially a blank check? What limits would there be on the use of this fund? Could it be used for weapons? Since you have asked for this authority "notwithstanding any other provision of law," what is to prevent the fund from being used to supply weapons to an autocratic government that violates human rights?

Answer. The fiscal year 2004 budget requests a new \$100 million U.S. Emergency Fund for Complex Foreign Crises ("Fund") to provide the President the necessary flexibility to respond quickly and effectively to a wide range of unforeseen complex crises. At present, no contingency account exists for these types of crises, and we frequently are forced to cut ongoing programs to meet urgent needs. Such crises may include: peace and humanitarian intervention operations to prevent or respond to foreign territorial disputes; armed ethnic and civil conflicts that pose threats to regional and international peace; and acts of ethnic cleansing, mass killing, or genocide. The Fund may not be used for natural disasters, as existing contingency funding is already available to meet crises related to those situations.

As proposed, the "notwithstanding" language of the Fund gives the President broad flexibility to provide whatever type of assistance would be needed to meet the requirements of a particular situation, including defense articles and services. In each case, however, it is the President who must make the determination that a complex emergency exists and that it is in the U.S. national interest to furnish assistance in response. Reserving this decision for the President ensures that any provision of assistance under the Fund's authority will be consistent with longstanding U.S. policies supporting responsible arms transfers and respect for human rights.

#### DEVELOPMENT ASSISTANCE

*Question.* Despite the \$2.5 billion increase above the fiscal year 2003 level, the President's fiscal year 2004 budget request would cut funding for the Development Assistance account by \$14 million. This account funds everything from agricultural research to children's education to environmental conservation to democracy building. It funds the bulk of our programs to alleviate poverty. How do you justify cutting these programs?

Answer. The \$2.5 billion increase represents a commitment by the Administration to lay a sound foundation for improving the lives of impoverished people. This includes \$1.3 billion for the Millennium Challenge Account that will increase and better target development assistance and programs to alleviate poverty.

In fiscal year 2003 the Development Assistance account and the Child Survival and Health Programs fund were requested as a single account, and the combined total of the fiscal year 2004 request level for these two accounts remains the same. However, within this straight-lined level, there is a significant increase in the HIV/AIDS program, which in turn requires offsetting reductions in other sectors. The reduction of the Development Assistance account therefore reflects a nominal shift of funds to the Child Survival and Health Programs Fund to reduce the impact of decreases in the Child Survival, Maternal Health and Infectious Disease programs. Effective programs in these areas are also key elements in our programs to alleviate poverty.

#### DEVELOPMENT ASSISTANCE FOLLOW UP

*Question.* The total amount requested for Development Assistance for fiscal year 2004 is \$1.345 billion. That is less than my tiny State of Vermont spends on public education. Do you believe that this is enough for the richest, most powerful country in the world to spend on combating global poverty?

Answer. The \$1.345 billion requested for Development Assistance is only one component of the entire program to address global poverty. The total amount requested for USAID and other related economic assistance programs is, in fact, nearly \$11 billion.

In addition to Development Assistance, global poverty issues are also addressed with funding made available through other accounts. For example, the Economic Support Fund focuses additional funds primarily in the Middle East, and separate accounts address similar issues in Eurasia and Eastern Europe. The Public Law 480 Title II program alleviates food security issues throughout the world.

As part of the fiscal year 2004 request, the Administration is also launching a major new initiative, the Millennium Challenge Account. The MCA, when fully funded in future years, will be a major component of the United States contribution towards global development, and will increase its core development assistance by 50 percent.

The MCA will serve as an incentive to poorer countries to adopt sound policies that provide their citizens an escape from poverty. Countries that rule justly, invest in their people, and promote economic freedom will energize individual initiative, mobilize domestic capital, attract foreign invest, and expand markets. These conditions in turn will enable these countries to become part of the global market, a key to economic growth and poverty reduction.

#### MILLENNIUM CHALLENGE ACCOUNT

*Question.* (a) Mr. Secretary, \$1.3 billion of the President's fiscal year 2004 budget request is for the first installment of the new Millennium Challenge Account. I support this, although I do not agree with the Administration's plan to create a new corporate bureaucracy to manage it. Why not establish a bureau at USAID with flexible authorities to manage these funds?

Answer. The MCA is a truly new approach. First, it is selective, targeting those countries that "rule justly, invest in the health and education of their people, and encourage economic freedom." Second, the MCA establishes a true partnership in which the developing country, with full participation of its citizens, proposes its own priorities and plans. Finally, the MCA will place a clear focus on results. Funds will go only to those countries with well-implemented programs that have clear objectives and benchmarks.

A new institution is the best way to implement and highlight this innovative and targeted approach. The existing agencies that might administer the MCA—State and USAID—both have many other bureaucratic mandates and priorities. The MCA will complement the assistance they provide to address key U.S. priorities, such as humanitarian crises, failed states, infectious disease, and regional challenges. Unlike the MCA, such assistance cannot be based solely on country performance or business-like partnerships.

Because of its unique mandate, the MCA will need flexible personnel and program authorities to carry out this targeted and innovative concept. If it is to respond to developing country priorities, for example, it cannot be earmarked to fund specific areas. The MCA should start with a clean slate—an innovative, flexible, narrowly targeted, and highly visible Millennium Challenge Corporation (MCC)—that can give it the best chance to succeed and show that this approach works.

*Question.* (b) This was supposed to be new money, yet both the Child Survival and Health account, and the Development Assistance account, are being cut in the President's budget. How do you explain this?

Answer. For fiscal year 2004, the Administration has requested \$1.495 billion for the Child Survival and Disease Program and \$1.345 billion for the Development Assistance account, for a total of \$2.840 billion for both accounts. This request is identical to the total Administration request for the two accounts in fiscal year 2003. In addition, the President is making new requests in fiscal year 2004 of \$450 million for the Emergency Plan for AIDS Relief and \$200 million for the Famine Fund, which will also contribute to child survival.

*Question.* (c) I also have questions about eligibility for the Millennium Account. Countries must show that they are taking serious steps to combat corruption, support health and education, and good governance. That makes sense. But a country like Brazil would not be eligible for the MCA because its per capita income is too high. Brazil is a country of 100 million people of immense importance to the United States, where a small percentage of the population is very rich and the vast majority is desperately poor. Shouldn't we look at ways to use the MCA to promote better policies in regions of a country with such serious needs, and of such importance to the United States, as Brazil?

Answer. The MCA is a targeted program, designed to spur economic growth in the poorest countries. We recognize that some countries with per capita GDP above the MCA cutoff still have large pockets of poverty. Such countries also have greater wealth and more access to international capital and investment. They are better able to address challenges on their own. Brazil, for example, attracted \$71.9 billion in foreign direct investment over the last three years. Investor demand for Brazil's April 29 bond issue was more than seven times the \$1 billion actually sold. MCA beneficiaries are not able to attract such funds.

Eligibility for the MCA is not the full measure of our relationship with any country. The United States has many initiatives, in the trade as well as the aid arena. Brazil is the third largest beneficiary under our Generalized System of Preferences for tariffs and would benefit from successful conclusion of FTAA negotiations, which it co-chairs with the United States. We will continue to make available select USAID funding, as well as OPIC and EXIM financing. (EXIM's third highest country exposure is with Brazil.) Brazil recently received about \$1 billion in World Bank and Inter-American Development Bank loans for human development and social support programs, and other international financial institution funds will also remain available.

*Question.* We have given hundreds and hundreds of millions of dollars in aid to Pakistan since September 11. Yet al Qaida and Taliban fighters continue to find sanctuary in Pakistan, and to launch attacks against U.S. forces in Afghanistan. Can't this be stopped?

Answer. Pakistan is a key ally in the war against terror and continues to take active measures against extremists and terrorists. The Government of Pakistan is fully committed to tracking down and apprehending Taliban and al-Qaida leaders. Pakistan's success in disrupting imminent attacks against our interests has saved United States and Pakistani lives.

Since the fall of 2001, Pakistan has apprehended over 500 suspected al-Qaida and Taliban operatives. Pakistan has committed its own security forces—and taken casualties—in pursuit of terrorists in Pakistan's major cities and border regions. We are supporting Pakistan in these actions, and United States and Pakistani forces work closely together in our efforts to eliminate the Taliban and al-Qaida threat.

President Karzai visited Islamabad on April 23 and held what we understand were very productive discussions on these issues. He and President Musharraf have reportedly agreed on new measures to enhance their cooperation on security issues. We are hopeful this type of cooperation will also reduce the number of terrorist attacks and save lives.

*Question.* The Karzai government is increasingly seen as incapable of wielding authority outside of Kabul. Aren't you concerned? Shouldn't the U.S. military be showing more muscle against the warlords, to back up the central government and keep Afghanistan from sliding backwards?

Answer. The United States takes seriously the need for the Afghan government to extend its central authority throughout Afghanistan. Improving the capacity of the Transitional Islamic State of Afghanistan (TISA) and enhancing its authority outside of Kabul are fundamental aspects of our policy. We are actively seeking ways to increase our assistance through TISA ministries and finding ways to better link our local programs to and through TISA. Provincial Reconstruction Teams have been deployed to Gardez, Bamiyan and Konduz. Other PRTs will follow to Mazar e-Sharif by early June (led by the UK), and then Jalalabad, Parwan, Kandahar, and Herat. One of the objectives of the PRTs is to extend TISA authority by linking TISA to local government through reconstruction projects. These teams have State and USAID officers as well as potential assignment of USDA and HHS officers. Afghan National Army (ANA) units are also deploying to the same areas as the PRTs. In addition, we are working with the Germans to extend police training from Kabul to all eight PRT areas of operation.

The United States also remains actively engaged with our Coalition partners in rebuilding and training an Afghan National Army and National Police Force to increase security throughout the country and to build the foundations of a stable Afghanistan under central authority. The key to expanding central authority over regional commanders and various warlords in the near-term is the Disarmament, Demobilization and Reintegration (DDR) program. Japan is the lead nation for DDR and is supported by the U.N. Assistance Mission to Afghanistan. Significant progress in DDR implementation has been made over the last few months. President Karzai has announced a start date of 22 June. The United States is currently reviewing ways and methods where we can help this essential program move ahead and succeed. The best approach to Afghan security is to stay the course of developing indigenous security institutions and promoting disarmament under international auspices.

*Question.* The President's fiscal year 2004 budget request would cut funding for the former Soviet Union from \$755 million to \$576 million. Aid to Russia would fall from \$148 million to \$73 million. I know of many programs to promote legal reform, improve health care, combat organized crime, improve market-based agriculture, clean up toxic pollutants, and other initiatives that will be shut down because of this cut. Does that make sense to you?

*Answer.* Part of the apparent large cut in the overall fiscal year 2004 request for FREEDOM Support Act (FSA) assistance reflects a shift in funding for educational and professional exchanges from the FSA account to the ECE account in the Commerce, State, Justice appropriation request.

The lower request level also recognizes, particularly for Russia, progress already achieved on reform, especially economic reform. Programs in this area will likely be phased out over the next several years.

We realize that Russia continues to face challenges in democratic development. We are developing a strategy to phase out FSA assistance to Russia over the next several years that will seek to ensure a legacy of sustainable institutions to support civil society and democratic institutions. During this time, we will increasingly focus on democracy and rule of law to ensure that we consolidate and sustain the progress made over the past decade. We will seek to advance structural changes that are needed to create a hospitable environment for Russian civil society.

FSA technical assistance programs have played a vital role in advancing progress toward rule of law in Russia, including supporting every aspect of the development of the new criminal procedure code, which has drastically changed the roles for Russian judges, prosecutors and defense attorneys. Our focus is now on helping the Russian bar consolidate the gains it has made, particularly by sponsoring professional education events to help the bar hone its advocacy skills. In 2001, an inter-agency task force identified health as one of the three priority areas for FSA assistance in Russia. Russia has one of the highest rates of increases in infection of HIV/AIDS. Multi-drug resistant TB is another serious problem, particularly in prisons. Funding for health programs has increased over the last two years and we plan to continue these programs for some years to come.

Some anti-crime activities that had been funded under FSA, such as programs to combat organized crime and money laundering, will likely continue, perhaps at different levels, with alternate funding sources.

Our strategy is not yet complete, so we don't have all the answers. But we are determined to help Russia preserve the remarkable gains she has made since 1992 and to complete the transition into a market-based democracy.

*Question.* Mr. Secretary, I have long felt that the United States—under Republican and Democratic administrations—has failed to devote anywhere near enough time and effort to build a strong relationship with our southern neighbor, Mexico. I thought that would change with the election of President Fox, who is by far the best hope Mexico has had in recent memory. President Bush seemed to feel the same way, but what we have seen amounts to little more than photo ops. Now we hear that since Mexico did not support the United States in the U.N. Security Council, President Bush is not taking President Fox's phone calls. Why haven't we made more of this opportunity to build closer relations with Mexico, and what can we expect in the coming year or two?

*Answer.* Our bilateral relations with Mexico and the Fox administration remain close and cooperative. We have taken advantage of the opportunity for closer relations presented by a democratically-elected government in Mexico which shares our commitment to the rule of law, human rights, and free markets.

The Bush and Fox administrations have, over the past two years, worked closely together to combat transnational crime in all its aspects, including terrorism, trafficking in illicit drugs and in people. Our law enforcement relationship with Mexico has never been better. Similarly, our cooperation on border security is excellent, as demonstrated by the April 23–24 meetings between Homeland Security Secretary Ridge and Mexican Governance Secretary Creel in San Diego. We very much hope to see proactive cooperation from Mexico in resolving issues currently in dispute, including Mexico's water debt to the United States and its use of non-tariff barriers to impede U.S. agricultural exports to Mexico.

We were indeed disappointed that the Fox administration did not, in the face of Iraqi intransigence on disarmament, support a successor resolution to UNSCR 1441. We certainly hope that Mexico will support us when resolutions regarding the lifting of sanctions and other post-conflict actions to benefit the people of Iraq are put before the Council.

*Question.* Mr. Secretary, I admire Colombian President Uribe and I want to support him. I think his Minister of Foreign Affairs and Minister of Defense are superb. Colombia is now the third largest recipient of United States aid.

We are spending over half a billion dollars a year in Colombia. We are spraying hundreds of thousands of acres of coca. Over the past three years, we have given the Colombian military all kinds of new aircraft and equipment. It is now going to cost hundreds of millions of dollars a year just to operate and maintain the aircraft. Are we going to be paying for this? What's the end game?

Answer. U.S. assistance pays for much of the operations of the rapidly expanding military and national police air programs that support counter narcotics activities. However, one of the principal central objectives of U.S. counter-drug assistance is to develop the capability of both the Colombian Army Aviation Brigade and the Colombian National Police Air Wing to operate and maintain their programs without the support of USG-funded contract pilots, mechanics and technical personnel.

For the military, after an extensive recruiting and training program, we will have sufficient pilots for all three types of helicopters by mid-2003. We are providing these pilots the operational experience and professional guidance for them to mature into command pilots, a process that averages two years. We have trained a total of 127 military helicopter pilots, 29 of whom have advanced to Pilot in Command or Instructor Pilot status. As this pool of aviators matures, we will draw down the number of civilian contract pilots.

Training of mechanics takes years to impart the necessary skills and practical experience, but we are making progress and are steadily increasing the number and skills of military helicopter mechanics. Many observers are not aware of the youth of the Colombian Military Aviation Brigade—it had only one helicopter as recently as six years ago. Our progress must be measured against the tremendously increasing needs of this growing program.

For the national police, the primary and overriding goal has been to bring illicit coca and opium poppy cultivation under control as quickly as possible. This last year's 15 percent reduction in coca cultivation is a strong indication that we have turned the corner. At present, there are no available Colombian police spray pilots, and hence the use of civilian contract pilots is required. However, our program hires Colombian pilots to the maximum extent possible, and we are now identifying potential CNP pilots as candidates for 2003 spray plane training.

The Colombian National Police Narcotics Directorate (DIRAN) Air Service has been established for a significant period, is essentially self-sufficient in pilots and has an effective maintenance capability requiring only some civilian contractor assistance.

*Question.* For fiscal year 2003, we modified the human rights conditions so the Administration can now provide 75 percent of the military aid immediately. Only 25 percent is subject to the conditions. I supported this for one reason, and it was not because the human rights situation is improving. In fact, according to a February report of the United Nations Human Rights Commissioner:

"There was 'a significant increase in reports of violations attributed directly to members of the [Colombian] security forces, as compared to the year 2001.' These reports included torture, excessive use of force and executions.

"The U.N. human rights office 'was unable to observe any significant progress in terms of trials, whether criminal or disciplinary, of public officials responsible for serious human rights violations . . .'

"The Colombian armed forces continued to tolerate and in some cases collaborate with paramilitary forces. Paramilitaries continued to expand operations in areas where the presence of the Colombian armed forces was high.'"

The reason I agreed to change the conditions was because I know of the tremendous pressure you are under to continue military aid. You can now disburse 75 percent of the aid immediately. But that means we expect the State Department to insist on full compliance with the conditions before releasing the remaining 25 percent of the aid. We want to see significant progress on human rights, which we have not seen in the past. Do you agree?

Answer. We recognize that Section 564, Division E of the fiscal year 2003 Omnibus Appropriations Act (Public Law 108-7) revises previous law, allowing obligation of 75 percent of the funds for the Colombian Armed Forces prior to certification. We appreciate your decision and believe it is fully consistent with U.S. policy to strengthen democratic institutions, promote respect for human rights and the rule of law, intensify counter-narcotics efforts, and end the threats to democracy posed by narcotics trafficking and terrorism in Colombia.

The Administration takes the Colombia human rights certification process very seriously and will review all evidence pertaining to the human rights conditions when deciding whether conditions found in Section 564(a) have been met. As in the past, we will insist on full compliance will all human rights conditions prior to making his determination and certification.

In recent years the Colombian Armed Forces has taken a number of necessary steps to improve its human rights record and sever military-paramilitary ties. Nevertheless, both we and the Government of Colombia recognize that serious problems remain, and we use every opportunity to engage Colombian government and military officials on concrete measures they should take to improve their human rights performance.

*Question.* The President's fiscal year 2004 budget request contains only \$100 million in Foreign Operations funds for the Global Fund to Fight AIDS, TB and Malaria. That is \$150 million less than we appropriated in fiscal year 2003. What kind of message does that send?

*Answer.* In his State of the Union address in January, the President announced an historic five-year, \$15 billion Emergency Plan for AIDS Relief, including a \$1 billion pledge to the Global Fund, bringing the total U.S. commitment to the Global Fund since its inception to \$1.65 billion—nearly one-half of all money pledged to the Fund to date. The \$100 million request for the Global Fund in the fiscal year 2004 Foreign Operations request contains only half of President Bush's total request, \$200 million, for the Global Fund in fiscal year 2004. The other \$100 million is contained in the budget request for the Department of Health and Human Services.

This \$200 million, if approved by Congress, will be the first installment of the \$1 billion that the President has pledged to the Global Fund for fiscal year 2004 through fiscal year 2008, as contained in his Emergency Plan. The United States has been the most consistent financial supporter of the Global Fund and has made the longest-term pledge, providing a benchmark for other donors. The election of Secretary of Health and Human Services Tommy G. Thompson as the Fund's Board Chair is another sign of the U.S. government's support, and its commitment to ensuring that the Fund is accountable and sustainable.

The President's five-year, \$15 billion Emergency Plan for AIDS Relief is the most aggressive initiative yet proposed to fight HIV/AIDS, and will include the largest AIDS treatment program to date. The Emergency Plan will, if approved by Congress, continue U.S. government funding to the Global Fund and to HIV/AIDS programs in more than 50 countries, and focus about \$9 billion in new money on 14 of the hardest-hit of these countries in Africa and the Caribbean. The goals of the Emergency Plan are to prevent 7 million new infections, provide treatment for 2 million people, and provide care and support for 10 million people, including children orphaned by the disease and HIV-positive people in the 14 focus countries.

*Question.* Mr. Secretary, last August several Americans were killed and injured in an ambush near the Freeport gold mine in Papua, Indonesia. There is credible evidence that elements of the military were responsible, and that the military continues to obstruct efforts to investigate that crime. Because of this, the Administration has not resumed the IMET program with Indonesia.

I do not believe we should cut off all relations with the Indonesian military. But if we are going to give them aid or training, they should show that they want to reform. No one, including former U.S. diplomats who know the Indonesian military, says they have any interest in reform.

Can we be confident that the Administration will not resume IMET until there is a thorough investigation and we know whether the military was involved in the assassination of the Americans, and that those responsible will be punished?

*Answer.* We are under no illusions about the Indonesian military's poor human rights record, and IMET is not a reward for the military's past behavior. Whether we proceed with IMET or not, we will be relentless in our pursuit of justice for the murder of American citizens. Unrestricted IMET does, however, provide exposure for foreign civilian and military personnel to alternative value systems in settings where they are challenged to think for themselves. It also enhances future access for the United States. As we have indicated earlier, we will consult with the Congress before proceeding with obligation of these funds.

Due to our concerns about human rights abuses and stalled military reforms, U.S. interaction with the military is limited in scope. IMET will help provide education to key Indonesian military officers in areas directly related to reform and professionalization of the military.

We see IMET as a precursor to reform. Without knowledge and training, there is little chance of developing sufficient numbers of reform-minded officers to make a difference in the larger institution. We must also be realistic; IMET is a long-term program that will require many years of continuity to achieve significant results by annually sending a handful of officers to U.S. schools. The importance of a \$400,000 IMET program has been exaggerated both by proponents and opponents; we can, at best, expect gradual results. In the past, IMET graduates have been the most likely pool of reformers in Indonesia.

The FBI is continuing its investigation and we continue to assign it the highest priority in our policy concerns with the Indonesian government. Indonesian Government actions in this case are an important factor in our evaluation of future military assistance programs for Indonesia, along with other factors such as U.S. national security interests, counter terrorism cooperation, respect for human rights, civil-military relations, political developments in Indonesia, and the regional strategic environment.

*Question.* Mr. Secretary, as you know, the Mexico City policy requires private non-governmental organizations to agree not to spend their private funds to advocate for safer abortions even where abortion is legal, if they also receive funds from USAID.

When President Bush reimposed these restrictions on his first day in office, he said the Mexico City policy was necessary to reduce abortions. It has now been two years since the President imposed these restrictions. What evidence do you have that this policy is reducing abortions.

*Answer.* In restoring the Mexico City policy, the President said that taxpayer funds should not be used to pay for abortions or to advocate or actively promote abortion, either here or abroad. He also stated that one of the best ways to prevent abortion is by providing quality voluntary family planning services.

The President has demonstrated support for family planning by consistently requesting \$425 million dollars for international family planning and reproductive health activities in fiscal years 2002, 2003, and 2004, a level that was higher than funding levels in the previous five years before he took office.

While reliable data on the incidence of abortion is absent in many countries, there is evidence that abortions have declined where family planning services are made available. For example, in Russia, because of limited contraceptive availability, abortion had been used as the major method of family planning. However, the recent increased availability of modern family planning methods has contributed to a greater than one-third drop in the abortion rate. Similar results have been seen in Hungary, Chile, Colombia, Mexico, South Korea, Kazakhstan, and Ukraine.

#### FAMINE IN AFRICA

*Question.* Mr. Secretary, there is an ongoing famine in sub-Saharan Africa that has placed approximately 40 million people at risk of starvation. During consideration of the last 2 appropriations bills, I joined with other Senators to add more than \$1 billion in food aid to deal with the situation—only to see the House, working with OMB, significantly reduce these funding levels in conference.

Humanitarian NGOs, the UN, and even people in the Administration say there simply is not enough food aid to deal with the crisis. And, if something is not done soon, the situation in Africa will get even worse.

It will be months before fiscal year 2004 food aid is available. In the interim, what does the administration plan to do to address this crisis?

*Answer.* The Administration has allocated over 1.2 million metric tons of food aid over the past year to southern Africa, Ethiopia and Eritrea, valued at \$713 million. Approximately 450,000 metric tons of this food is currently en route to Ethiopia and Eritrea, the two countries of most concern in the coming months. Additional large contributions to sub-Saharan Africa are also in the planning stages, for delivery in the region near the end of the fiscal year. These commodities have been resourced by USAID through the funding mechanisms of Public Law 480 Title II, the Bill Emerson Humanitarian Trust, and through the U.S. Department of Agriculture's 416(b) authority.

USAID's Office of Food for Peace (FFP) will pre-position food stocks in the United States and Africa using current resources for use in the interim period in question. In addition, FFP maintains an unallocated budget reserve, which will be tapped near the end of the fiscal year to ensure that the flow of food aid remains constant and directed to the areas of most concern.

USAID has given top priority to the food aid crisis in sub-Saharan Africa over the past year, and has provided close to half of all the food aid provided to the region. USAID will continue this high level of attention to the region over the foreseeable future.

*Question.* What is the Administration's position on membership in the International Coffee Organization (ICO)? Beyond ICO membership, what is the Administration's plan to address the collapse of coffee prices around the world that has devastated the economies of developing nations?

*Answer.* The Administration is currently reviewing the issue of whether the United States should rejoin the International Coffee Organization (ICO). As part of this review, the Department of State has reached out to industry, the NGO community and Members of Congress. Formal review under the United States Trade Rep-

representative-led Trade Policy Review Group process will be initiated in the near future.

In response to the hardships faced by coffee producers because of the on-going coffee crisis, the Administration believes that it is essential to promote the development of alternative economic opportunities over time, while supporting initiatives to help producers improve coffee quality and develop new markets more immediately.

Over the medium term, economic diversification will be the key to resolving this problem. In the case of Central America, one of the hardest hit regions, we are negotiating a free trade agreement that will provide a host of alternative development opportunities. Progress in the WTO on reforming agricultural trade would greatly assist the rural areas of developing countries around the world.

Meanwhile, we are taking steps to alleviate the coffee crisis through a range of USAID assistance programs to both small and medium producers in coffee-exporting regions around the world. USAID activities support coffee and diversification efforts in over 25 countries in Latin America, Africa and Asia. The main objectives of the USAID programs are to assist farmers that cannot effectively compete in the coffee sector to diversify their activities and identify other sources of income and employment and create sustainable small holder coffee systems that provide significant income, employment and social, where the potential exists for the production of high quality coffee.

USAID is also actively coordinating with the World Bank and the Inter-American Development Bank. USAID co-wrote a paper with the IDB and the World Bank in 2002 that outlined a strategy to address the coffee crisis in Central American by increasing the ability of efficient producers to compete more effectively while encouraging inefficient producers to exit the coffee sector for other activities in which they are better able to compete.

USAID investments in Latin America & the Caribbean will total over \$63 million to address the coffee crisis through humanitarian relief, agricultural diversification and improved competitiveness within the coffee sector. In addition, a regional Coffee Quality Program will invest \$8 million dollars to improve product quality and marketing, and to establish business linkages in Central America and the Dominican Republic. Over the next five years, USAID/Colombia will invest \$7 million to promote specialty coffee as an alternative to illicit drugs.

*Question.* Mr. Secretary, I want to ask you about the free trade agreement you are negotiating with Central America. I recently met with Nicaraguan President Bolaños, who I have great respect for. I am concerned about how this agreement may affect Nicaragua's fragile democracy.

Nicaragua will need substantial assistance to get through a difficult transition to free trade. Without help, free trade applied too quickly could throw hundreds of thousands of poor subsistence farmers out of work. The free trade agreement should include a bold and imaginative program of aid to help them adjust to a new economy without destroying their democracy. We should also enlist the cooperation of the World Bank, the IM and the Inter-American Development Bank. I'm prepared to work with you on this. I'd appreciate it if you would keep me informed about how you plan to do this.

*Answer.* Preparing Nicaragua and the other countries of Central America to take fullest advantage of the free trade agreement in addition to the transition to free market economies is part of the USG's strategy for the actual negotiations. Representatives from State, USAID, USTR, Commerce and other departments participate in the interagency CAFTA trade capacity building (TCB) working group, which identifies country-specific TCB needs and organizes donor coordination to respond to those needs. This working group is also reaching out to NGOs, international financial institutions (including both the World Bank and the Inter-American Development Bank), and the private sector as appropriate. The working group also meets with the Central Americans during the trade talks to assess progress and identify other needs under TCB. The next round of talks will take place May 12-16 in Guatemala.

USAID has several mechanisms, including its Program Supporting Central America Participation in the FTAA (PROALCA), that may be tailored for CAFTA needs. PROALCA intends to open a new \$4 million window for technical assistance which may be used by Nicaragua as well as other Central American countries. Under the Opportunity Alliance, USAID is supporting the re-orientation of agriculture programs toward more trade-related activities, such as non-traditional agricultural exports.

*Question.* In territory controlled by the LTTE, there are innocent civilians, including children, who have lost limbs or suffered other serious injuries and disabilities as a result of the conflict. This is what the Leahy War Victims Fund was designed

to address. Can't we permit USAID to meet with representatives of the LTTE to discuss ways to make this assistance available through reputable NGOs?

Answer. The United States intends to provide substantial reconstruction and humanitarian assistance in Sri Lanka, through international and local NGOs of our choice, including to benefit people in LTTE controlled areas of the North and East. Assistance will be provided consistent with U.S. law and will include funding from the Leahy War Victims Fund. The LTTE has been designated as a foreign terrorist organization pursuant to section 219 of the Immigration and Nationality Act, as amended, and pursuant to Executive Order 13224, but such designations would not preclude U.S. government officials from meeting with the LTTE.

The United States does not negotiate with terrorist organizations and has never engaged with the LTTE. We are currently considering, however, directly informing the LTTE and the government our plans for providing assistance to persons residing in LTTE-controlled areas.

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QUESTIONS SUBMITTED BY SENATOR MARY L. LANDRIEU

*Question.* Is the United States committed to a long-term presence in Afghanistan to establish peace and security?

Answer. Yes. President Bush made clear in a Joint Statement with President Karzai on January 28, 2002 that a lasting and permanent solution for Afghanistan's security needs must be based on strengthening Afghanistan's own capabilities. Nothing has changed in the intervening months. The United States contributed over \$900 million in assistance to Afghanistan last year, and with continuing Congressional support, we will match that level again this year. This money is going to support projects for health, education, refugees, agriculture, infrastructure, empowering women, as well as security.

Provincial Reconstruction Teams (PRTs) led by the United States are combining military presence, civil affairs workers, and representatives of the Karzai government to extend the benefits of security to all regions of Afghanistan. Following our lead, other coalition members plan to take the lead on PRTs of their own.

Meanwhile, our contributions to Disarmament, Demobilization and Reintegration (DDR) and the training of the Afghan National Army (ANA) are beginning the long-term process of shifting power from regional commanders to a well-equipped, professionally trained military. Eight battalions already are trained and deployed throughout Afghanistan, and the people of the country have welcomed them.

To underscore our long-term commitment to Afghanistan, a series of high-level officials, including the Secretary of Defense, the Secretary of Health and Human Services, the President's special envoy to Afghanistan, and the Deputy Secretary of State, have visited Afghanistan in the last month, and the Secretary of Agriculture is scheduled to visit later in 2003.

These efforts are having a visible impact on Afghanistan and are laying the groundwork for a new constitutional government and elections next year. With Congress' support, we will continue to build a democratic Afghanistan and help the Afghan government bring the benefits of peace and security throughout the country.

*Question.* Are we dedicating enough funds to the reconstruction of Afghanistan? (\$896M to date, not including fiscal year 2004 request)? After all, the Marshall Plan had a price tag of \$88B in today's dollars. Can we expect future supplementals and money in the fiscal year 2005 request to fund Afghan reconstruction? Do you still support a funding goal of \$8B for Afghanistan, as you have previously stated?

Answer. Assistance from the United States and other donors has been sufficient to address Afghanistan's key needs in a timely fashion. We provided over \$900 million in assistance per year in fiscal year 2002 and fiscal year 2003 (including supplemental packages each year).

Last year, a key priority was humanitarian assistance, and over one-third of our assistance was directed to assist returning refugees and help avert famine. This year, the humanitarian crisis has eased, permitting us to direct much of our assistance toward rebuilding infrastructure and the Afghan government's institutions and security capabilities. At the same time we are funding ambitious health, education and agricultural projects and supporting preparations for a constitutional assembly this fall and elections next June.

The Administration has requested almost \$700 million for 2004 (not counting funds to be expended by the Department of Defense), which, together with resources from other donors, should be sufficient to address anticipated funding needs. We are developing the fiscal year 2005 request, though final decisions have not been made.

In late 2001, the World Bank and the Asian Development Bank estimated Afghanistan's cumulative five-year funding needs (to be funded by all donors) to be

in the range of \$8 billion to \$12 billion. This remains a reasonable estimate, and we have worked closely with Afghan leaders to help raise funds from international donors.

*Question.* What are we doing to ensure Afghan women will have a direct role in society to vote, work, go to school, and serve in the new government? Would you support a call to require that a set percentage of aid be directed toward the advancement of Afghan women, or be conducted by women led relief organizations?

*Answer.* Life for women under the Karzai government represents a dramatic improvement over the serious and systematic abuses of the Taliban regime. Some women, primarily in Kabul, have begun discarding the burqa, the head-to-toe veil that had been rigidly enforced by the Taliban. Women are once again permitted to work outside the home, and female civil servants and teachers have returned to work. Girls flocked to the schools when they re-opened in March 2002, and it is estimated that of the 3 million new students this past year, 35 percent were girls. The Ministry of Education is hoping that girls will make up 50 percent of the students soon, and estimates that numbers were up when schools opened again in March 2003. Within the Afghan government, the Ministers for Public Health and Women's Affairs, as well as the Chair of the Human Rights Commission, are women, and many more women serve as Deputy Ministers, Office Directors, and in mid-ranking governmental positions. As Afghans write a new constitution and devise a new legal system, we are impressing upon them the importance of upholding and respecting internationally recognized human rights standards, including the rights of women.

Afghanistan established a Commission to Combat Trafficking in Persons and created a Human Rights Commission with well-known human rights champion Sima Simar as its chairperson. The United States provided start-up funding and technical assistance to the Ministry of Women's Affairs to refurbish the building, provide technical advisors to the Ministry, and establish a women's resource center with internet access, computer training, and print and video materials on human rights at the Ministry.

The United States, through USAID, provided over one million textbooks in 2002, many of which benefited Afghan schoolgirls. The United States has helped rebuild and rehabilitate more than 230 schools to date, and plans to do an additional 1,000 more and provide training for teachers, most of whom are women, as part of a package of \$61 million of support for primary education over the next three years.

The U.S. government is supporting the Ministry of Women's Affairs in its efforts to open a network of women's resource centers in each of Afghanistan's 32 provinces. Such centers will provide a safe place where women will receive training in a range of subjects, including human rights, political participation, and job skills training. USAID is funding the construction of 14 provincial centers, and grants by the U.S.-Afghan Women's Council will fund educational programs in these centers. Education is fundamental to progress for women.

These projects specifically target and benefit women, while others, such as school rebuilding efforts, benefit all Afghans, including women and girls. For that reason, and because of the need for flexibility in a fluid situation, establishing earmarks or set percentages of aid would hinder rather than help our efforts to assist Afghan women, as would mandating aid delivery to specific organizations.

*Question.* What is the proper mix of funds to fight HIV/AIDS on a global level—how did State and HHS determine what to contribute to the Global Fund versus bilateral assistance from the United States to selected countries? The budget only contains \$100M for the Global Fund. Is the United States still committed to the Global Fund? The G-8 has not met its original goals for the Global Fund, either.

*Answer.* We believe that the President's Emergency Plan for AIDS Relief, as the largest, single commitment in history to an international public health initiative involving a single disease, contains the proper mix of funds for this Administration to address the HIV/AIDS pandemic on a global scale. The President's \$15 billion Emergency Plan for AIDS Relief (PEPFAR) calls for spending, over 5 years:

- Approximately \$5 billion for continuation of existing programs in nearly 50 countries;
- An additional \$1 billion for the Global Fund to Fight AIDS, Tuberculosis and Malaria; and
- About \$9 billion for the President's new 14-country initiative.

The Plan seeks to prevent 7 million new infections, treat 2 million HIV-infected people, and care for 10 million HIV-infected individuals and AIDS orphans. To accomplish these goals, implementation of the Plan will be based on the Ugandan model involving a layered network of medical centers and the ABC (Abstinence, Being Faithful, and, when necessary, Condom use) approach to stemming the tide of HIV/AIDS.

PEPFAR increases financial and technical assistance to both bilateral and multi-lateral activities. Bilateral programs and the Global Fund complement each other's contributions to the fight against HIV/AIDS and should both receive increased support. Bilateral programs are vital for technical assistance and capacity building. The projects financed by the Global Fund usually build upon the foundations established by bilateral programs.

The United States is firmly committed to the Global Fund. The \$100 million request for the Global Fund in the fiscal year 2004 Foreign Operations Appropriations budget request contains only half of President Bush's total request, \$200 million, for the Global Fund in fiscal year 2004. The other \$100 million is contained in the fiscal year 2004 budget request for the Department of Health and Human Services.

The President's announcement of a \$1 billion pledge to the Global Fund brings the total U.S. commitment to the Global Fund since its inception to \$1.65 billion—nearly one-half of all money pledged to the Fund to date. The United States has been the most consistent financial supporter of the Global Fund and has made the longest-term pledge, providing a benchmark for other donors. The election of Secretary of Health and Human Services Tommy G. Thompson as the Fund's Board Chair is another sign of the U.S. Government's support, and its commitment to ensuring that the Fund is accountable and sustainable.

The President looks forward to the G8 Summit in Evian as an opportunity to urge other governments and private donors to join us in increasing efforts to combat this disease both domestically and internationally.

*Question.* Is the Administration committed to realizing its new plan for \$15B over 5 years? Will cuts be made to other foreign aid programs in order to pay for the AIDS initiative, or will the commitment to fighting AIDS be in furtherance of our commitment to international development?

*Answer.* The Administration is fully committed to implementing its new plan for \$15 billion over 5 years to the global effort against HIV/AIDS as an additional component of our international development activities. Of the \$15 billion, roughly \$10 billion is new money for the President's new fourteen-country initiative and increased support of the Global Fund to Fight AIDS, Tuberculosis and Malaria, in furtherance of our commitment to international development, with the remaining funds allocated for the continuation of existing programs.

*Question.* Is the United States committed to a long-term presence in Iraq to establish peace and security? Wouldn't a short-term departure only allow the forces of fanaticism and fundamentalism to re-emerge?

*Answer.* The United States is committed to helping the Iraqi people establish a whole, free nation at peace with itself and its neighbors, and governed by the rule of law. As President Bush has said, the United States will remain in Iraq as long as necessary to achieve these objectives, but not a day longer.

*Question.* What are we doing to ensure Iraqi women will have a direct role in society—to vote, work, go to school, and serve in the new government? Would you support a call to require that a set percentage of aid be directed toward the advancement of Iraqi women, or be conducted by women-led relief organizations?

*Answer.* The United States recognizes the vital role Iraqi women will play in the creation of a unified, free Iraq. We are committed to equal rights for all Iraqi citizens. This includes the full participation of women in social, political and economic life, including in reconstruction efforts and in Iraq's future government.

Iraqi women participated in the first two political conferences held by the Coalition, and the conference statements affirmed the importance of the role of women. Given the difficult circumstances under which the first conferences were held, we were unable to reach out to sufficient numbers of Iraqi women to secure their participation. Serious efforts are currently underway to identify larger numbers of Iraqi women to participate in future meetings and to take part in the rebuilding of Iraqi institutions and the drafting of new laws.

Despite a brutal dictatorship, Iraqi women have continued to make great strides in education and in professions over the past decades. We want to ensure that this progress continues and that Iraqi women will make the contributions that their talent, ambition and dedication to their country's future will enable.

United Nations Security Council Resolution 1483, introduced by the United States, the UK, and Spain calls for the establishment of "the rule of law that affords equal rights and justice to all Iraqi citizens without regard to ethnicity, religion, or gender."

We do not support the establishment of a set percentage of aid to be directed to any particular issue or group of organizations. We do not believe that this is necessary to achieve our goal of equal rights and the participation of women in the rebirth of Iraq and its institutions. Supporting the educational, political, economic and social development of women and girls is a key, identified priority in many of the

relief and reconstruction programs that the USG supports through funding to the United Nations, other IOs, NGOs and independent contractors in the areas of education, democratic governance, civil society and legal reform. We are also committed to ensuring that as Iraq makes the transition to a free market economy that women, as well as men, are provided with the training and support necessary to thrive in this new business environment.

*Question.* Secretary Powell, you have served as both Chairman of the Joint Chiefs and now Secretary of State. Is the Administration pursuing the proper path with DOD in the lead? How long should DOD be in the lead? Is there a transition plan for State and USAID to takeover the more traditional roles of foreign assistance and economic development? Is there an effective liaison system in place for DOD to call upon State's expertise when necessary?

*Answer.* The President has determined that the Department of Defense has the lead for our activities in post-war Iraq. The State Department has supported DOD's lead strongly. First, during the activities of the Office of Reconstruction and Humanitarian Assistance (ORHA) and, now, within the framework of the Coalition Provisional Authority (CPA).

Both State and USAID have provided, and will continue to provide expertise to this DOD-led effort, detailing of personal on-the-ground to ORHA and CPA to fulfill the U.S. objective of assisting the Iraqi people to establishing a free and democratic nation that is a responsible member of the international community.

State and USAID will continue to carry out the President's wishes, cooperating with and supporting the DOD in every way possible to reach a successful conclusion in Iraq.

*Question.* How will you judge when the violence has stopped and the Palestinian Authority has lived up its end of the bargain? Who will determine when safety has been achieved? Russia? The EU? The United Nations? How will be power be shared between the United States, United Nations, EU, and Russia?

*Answer.* We've always said that we are prepared to send in U.S.-led monitors if this would prove useful to the parties, to observe and coordinate with both sides, to look into claims or charges that one side might make against the other. We're not talking about an armed, interpositional force, but a coordinating group on the ground, which could grow into a larger group over time that could serve a monitoring function. We have been in close consultation with Palestinian leaders to develop a plan for assisting the Palestinians with security, and the United States, working with other interested friends in the region and from the Quartet will assist the Palestinians in that regard. We have been clear that any monitoring arrangement would be U.S. led and have a U.S. face.

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*Question.* As we begin to tackle the issues of "winning the peace" in Iraq and continue our efforts in Afghanistan as well, I hope that the U.S. Government's programs will devote attention to improving the status of women. Women are so important for caring for children and educating them. In addition, women should have equal access to participation in politics and in business and the work place, as well. If I were to select one area for emphasis, it would be education. What are our plans for reconstituting the educational systems in Iraq and Afghanistan and for encouraging equal access to schooling for women and girls?

*Answer.* In Iraq, the U.S. Agency for International Development (USAID) has awarded a contract to Creative Associates International to address immediate educational needs and promote participation of the Iraqi people in a sustainable, effective and decentralized educational system. The U.S. Government's goal is to ensure that children will be able to start the new school year in September 2003 in a system dedicated to education, not propaganda. Equal opportunity for girls is an urgent goal of a reformed educational system.

The rehabilitation of schools is critical, including ensuring sufficient electricity, water and sanitation facilities, and sufficient equipment and supplies to facilitate learning. We also recognize the importance of ensuring proper compensation to teachers for their efforts. In support of our efforts to build the foundations of a democratic society in Iraq, it is important that we work with Iraqis to ensure that such values as pluralism and equality are taught in schools.

We will also support community awareness and social mobilization programs which highlight the importance of children returning to, and staying in school, with a particular emphasis on ensuring that girls offered are full and equal opportunities.

In Afghanistan, girls' education has improved dramatically under the Karzai government, no small achievement after the serious, systematic discrimination of the Taliban regime. Girls flocked to the schools when they re-opened in March 2002, and it is estimated that of the 3 million new students this past year, 35 percent were girls. The Ministry of Education is hoping that girls will make up 50 percent of the students soon, and estimates that numbers were up when schools opened again in March 2003.

The United States, through USAID, provided over fifteen million textbooks in 2002, many of which benefited Afghan schoolgirls. The United States has helped rebuild and rehabilitate more than 230 schools to date, and plans to do an additional 1,000 as well as provide training for teachers, most of whom are women, as part of a package of \$61 million of support for primary education over the next three years.

The U.S. government is supporting the Ministry of Women's Affairs in its efforts to open a network of women's resource centers in each of Afghanistan's 32 provinces. Such centers will provide a safe place where women will receive training in a range of subjects, including human rights, political participation, and job skills training. USAID is funding the construction of 14 provincial centers and will provide funding for the centers, including health education programs, daycare, etc. (\$5 million of the fiscal year 2003 funds to be obligated by Summer 2003). Education is fundamental to progress for women and, moreover, for Afghanistan as a whole.

*Question.* After all the commitment and even heroic actions by our troops, first in Afghanistan and now in Iraq, will we have the wisdom and steadfastness to follow through on our commitment to promoting democracy? How well are we doing with our previous efforts? Why are funds for the promotion of democracy in Eastern Europe ("SEED funds") being cut, just when we need examples of U.S. determination and perseverance and good models for the democratic development of Afghanistan and Iraq?

*Answer.* Since 1989, the Support for East European Democracy (SEED) Act has promoted important U.S. national interests and strategic goals in North Central and South Central Europe. Indeed, many SEED-funded programs have provided excellent role models and experienced personnel as we set up similar programs in Afghanistan and Iraq.

With the graduation of the northern tier countries, the SEED program has shifted its focus southward. This region could still pull in our allies and ultimately the United States to uphold vital interests, as the past conflicts in Bosnia-Herzegovina (Bosnia) and Kosovo and more recent insurgencies in southern Serbia and Macedonia demonstrated. SEED assistance provides a defense. It funds important peace implementation programs that have laid the foundation for longer-term development through the rise of democratic institutions and market economies. It also supports the region in its drive for integration in Euro-Atlantic institutions, as witness the historic November 2002 invitation to seven more SEED-recipient countries to join NATO, and the December 2002 invitation to eight to join the European Union.

To facilitate continued reform and transition in Southeastern Europe, SEED assistance supports innovative models, technical assistance, and training. SEED funding fosters civil security and rule of law in these transitional societies, increases adherence to democratic practices and respect for human rights, and promotes broad-based economic growth. Many in the region have made important progress toward achieving the objectives of the SEED program: development of democratic institutions and political pluralism and of free market economic systems. All the recipients are now democracies, and all are experiencing economic growth. Extensive SEED investments during recent years have successfully helped the region overcome crises, so that in fiscal year 2004 we can continue to reduce the overall request while maintaining the momentum of the reforms underway. The Department's fiscal year 2004 budget request shifts \$10 million in funding for educational and cultural exchanges to support the above efforts from the SEED account to the Educational & Cultural Exchange account under the Commerce-Justice-State portion of the budget.

## AGAINST STONINGS

*Question.* Here in the Senate I have sponsored a resolution, Senate Concurrent Resolution 26, against executions by stoning. If passed, it would simply ask you to work with the international community to promote international standards of human rights and to encourage the repeal of laws permitting stoning.

Will the State Department devote attention to this egregious violation of human rights, which affects women so disproportionately? What can our diplomacy do to encourage the Nigerian government to save Amina Lawal and other women who may be sentenced to death by stoning in parts of Nigeria where shari'a law is in effect?

*Answer.* Thank you for this important question. I can assure you that we are devoting attention to this issue, which as you say, affects women disproportionately. Stoning is an exceptionally cruel form of punishment that violates internationally accepted human rights standards and norms.

We are closely monitoring the case of Ms. Lawal, and those of other Nigerian men and women facing similarly harsh sentences. We have repeatedly told the Government of Nigeria that it must adhere to its commitments under the Universal Declaration of Human Rights and the International Covenant on Civil and Political Rights, both of which ban cruel and unusual punishments and prohibits death sentences in all but the most severe crimes.

The good news to date is that Nigeria's Minister of State for Foreign Affairs has said repeatedly that there is "no way" a stoning sentence would be carried out in Nigeria. He has given public assurances that the Supreme Court would "supersede" the Shari'a system if necessary to stop the execution of a stoning sentence. Also, in his last National Day address on October 1, Nigerian President Obasanjo noted that no stoning sentence has ever been carried out in Nigeria. He told the Nigerian people that none ever would. And, Nigeria's Attorney General has said that harsh Shari'a punishments violate Nigeria's Constitution and international commitments.

That said, DRL is monitoring these cases closely because there has not been a final resolution in Nigeria to the Lawal case, and stoning has not been banned. The Nigerian constitution does not provide for federal intervention in cases active in state courts; only through the appeals process will federal issues of the constitutionality of harsh Shari'a sentences be aired.

Please know that we will do what we can to help Amina Lawal and others facing this fate, and to encourage an end to this cruel practice.

## WMD THREATS OUTSIDE THE FSU

*Question.* The threat of weapons of mass destruction is perhaps the greatest concern in our war against terrorism and was a major reason for our incursion into Iraq. However, our nonproliferation efforts to date against biological and chemical weapons, as well as nuclear devices, have been limited to the countries of the former Soviet Union. Last year an effort to expand the authorization of Nunn-Lugar legislation was scuttled in the House.

Is the State Department working with the Departments of Defense and Energy to obtain authorization to expand our counter-proliferation efforts to include countries beyond the states of the former Soviet Union? How successful and sustained have our nonproliferation efforts been and what are the obstacles to such expansion and fully effective implementation?

*Answer.* The Nunn-Lugar "Cooperative Threat Reduction" (CTR) Program is only one part of U.S. nonproliferation activities. While CTR is currently limited by law to the states of the former Soviet Union (FSU), the Departments of State and Energy have nonproliferation program authorities to operate globally and are doing so. In addition to these authorities, the President has requested for fiscal year 2004 that the Congress give him authority to use up to \$50 million in CTR funds outside the FSU. Although almost all the countries in the world have become parties to the Nuclear Non-Proliferation Treaty, and a large majority have adhered to the Chemical Weapons Convention and Biological Weapons Convention, we face significant nonproliferation problems. But while the news has been grim from South Asia, Iran, North Korea and, until recently, Iraq, we have also achieved important successes.

Beyond the FSU, the State Department runs two important global programs. One is the Nonproliferation and Disarmament Fund (NDF), which tackles tough, urgent problems, such as the removal of highly enriched uranium from Vinca, Serbia to safe storage in Russia, and destruction of WMD-capable missiles in Eastern Europe. The NDF also has developed and deployed an automated system, "Tracker," that already enables nine countries and 63 ministries to inventory and account for weapons-sensitive exports/imports, and its use is expanding. NDF is working towards building an international consortium to support Tracker.

Second, our Export Control and Related Border Security Assistance Program (EXBS) runs programs in 35 countries, aiming to help our partners control the flow of dangerous technologies and materials in the most dangerous parts of the world. Our EXBS Program draws on expertise from a number of agencies, and coordinates closely with efforts by the Departments of Energy and Defense to strengthen other countries' controls on transfers of WMD and missile-relevant technologies.

We have important partnerships with key governments to prevent the spread of these technologies, through the Missile Technology Control Regime (MTCR), the Australia Group (AG) for chemical and biological weapons technologies, the Nuclear Suppliers Group and the Zangger Committee for nuclear transfers, and the Wassenaar Arrangement for sensitive weapons technologies (including shoulder-fired anti-aircraft missile systems, MANPADS). We are constantly working to make these nonproliferation regimes more effective.

Another important partnership is with the International Atomic Energy Agency (IAEA), whose safeguards program aims to ensure that civilian nuclear facilities remain civilian, and provides critical assurance that nuclear material in civil nuclear programs is not misused for non-peaceful purposes and that covert nuclear activities are not being pursued. We are prepared to back tough safeguards with increased funding.

At the same time, we must continue to focus significant effort on the still sizable residual stocks of dangerous materials from the massive WMD establishment of the former Soviet Union. The Administration has accelerated funding for a number of projects. The Departments of Energy, Defense and State have collaborated under the CTR and other authorities to improve security at Russian storage facilities, to consolidate stored fissile materials, to stop new production and to purchase or downblend nuclear material from former nuclear weapons to reduce supply. The State Department provides the diplomatic lead for several threat reduction programs of the Defense and Energy Departments. We are also responsible for the U.S. Government's involvement in the International Science Centers in Russia and Ukraine, which employ former Soviet weapons scientists in peaceful, commercial projects—to reduce the temptation for those scientists to hire themselves out to proliferators.

*Question. Student Visas and security.*—In the aftermath of 9/11, we have significantly tightened security procedures for people visiting our country for temporary purposes. At the same time, we must strike a balance that will allow free travel and exchange of visits which are so characteristic of American society. With regard to the issuance of visas for foreign students, I have found the need for better coordination between the Department of State and the new Department of Homeland Security. Since February of this year, men from certain high-risk mid-East countries who fail to register their departure will find their student visas canceled. However, Homeland Security has not yet proposed any method for reviewing or waiving the ineligibility of those put into the NSEERS automated system for such violations. I hope you will work with Secretary Tom Ridge to remedy this apparent blind spot in our visa adjudication process.

*Answer.* The DHS NSEERS regulations, 8 CFR 264.1(f)(8), state that if an alien fails to fulfill the departure control requirements upon leaving the United States, he or she will thereafter be presumed ineligible under section 212(a)(3)(a)(ii) of the Immigration and Nationality Act for admission to the United States. In an INS [DHS] memorandum of December 20, 2002, the agency provided field guidance relating to returning NSEERS violators citing factors that can be used at the Port of Entry to allow applicants to overcome this regulatory presumption of ineligibility. With DHS concurrence, the State Department provided subsequent guidance to all Embassies and Consulates transmitting these factors to consular officers to use in determining whether NSEERS violators can be issued visas. The instructions to posts stated that Consular Officers “can issue visas to aliens entered into lookout as NSEERS violators, provided that the applicant can demonstrate good cause for the violation and/or reasonable assurances that the applicant will comply with these requirements in the future.” The instructions further stated that “Although Conoff cannot guarantee any applicant that this procedure will ensure an applicant with NSEERS violations will be admitted to the United States, these procedures are consistent with the DHS guidelines and should in most cases be sufficient to allow the alien to be admitted to the United States.”

*Question.* Do you believe that we are dedicating enough to the Foreign Operations budget to effectively carry out our national diplomatic goals?

*Answer.* Yes. The requested fiscal year 2004 Foreign Operations budget that funds programs for the Department of State, USAID, and other foreign affairs agencies is \$18.8 billion. This represents a 16 percent increase over the fiscal year 2003 funding level and does not include the fiscal year 2003 emergency wartime supplemental of \$7.5 billion.

Today, our number one priority is to fight and win the global war on terrorism. President Bush recently identified the battle of Iraq as a part of this larger war. The budget furthers this goal by providing economic, military, and democracy assistance to key foreign partners and allies, including \$4.7 billion to countries that have joined us in the war on terrorism.

The budget also promotes international peace and prosperity by launching the most innovative approach to U.S. foreign assistance in more than forty years. The new Millennium Challenge Account (MCA), an independent government corporation will redefine "aid." As President Bush told African leaders meeting in Mauritius recently, this aid will go to "nations that encourage economic freedom, root out corruption, and respect the rights of their people."

Moreover, this budget offers hope and a helping hand to countries facing health catastrophes, poverty and despair, and humanitarian disasters. Such funding will combat the global HIV/AIDS epidemic, meet the needs of refugees and internally displaced persons, and provide emergency food assistance to support dire famine needs. In addition, the budget includes a new proposal to enable swift responses to complex foreign crises.

#### SUBCOMMITTEE RECESS

Senator McCONNELL. Thank you all very much. The subcommittee will stand in recess to reconvene at 2 p.m., Thursday, June 5, in room SD-192. At that time we will hear testimony from the Honorable Andrew S. Natsios, Administrator, Agency for International Development.

[Whereupon, at 3:06 p.m., Wednesday, April 30, the subcommittee was recessed, to reconvene at 2 p.m., Thursday, June 5.]



**FOREIGN OPERATIONS, EXPORT FINANCING,  
AND RELATED PROGRAMS APPROPRIATIONS  
FOR FISCAL YEAR 2004**

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**THURSDAY, JUNE 5, 2003**

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

The subcommittee met at 2:08 p.m., in room SD-192, Dirksen Senate Office Building, Hon. Mitch McConnell (chairman) presiding.

Present: Senators McConnell, Bond, DeWine, Burns, Leahy, and Landrieu.

**AGENCY FOR INTERNATIONAL DEVELOPMENT**

**STATEMENT OF HON. ANDREW S. NATSIOS, ADMINISTRATOR**

**OPENING STATEMENT OF SENATOR MITCH MCCONNELL**

Senator MCCONNELL. The hearing of the Foreign Operations Subcommittee will come to order. I want to welcome Administrator Natsios. It is always a pleasure to have you before this subcommittee.

Let me begin by acknowledging the difficult task you and your agency face in the post-September 11 world. With the welcomed liberation of Iraq and Afghanistan comes the need for immediate and significant relief and reconstruction programs. These activities are often conducted in dangerous and dynamic environments and your courageous field staff, NGO partners, and contractors should be recognized for the risks they are willing to assume in coming to the aid of the Afghan and the Iraqi people.

Emerging from decades of repression, these countries require the full gamut of U.S. assistance programs from food, water, and health care to governance, economic development, and rule of law programs. Concurrent with addressing the needs of newly liberated countries, USAID must keep an eye on those at-risk nations—such as Pakistan, the Philippines, and Indonesia—where threats from terrorism have yet to subside. Again, a broad range of development programs are required to deny the breeding grounds—such as poverty, illiteracy, and a lack of economic opportunities—for extremist ideologies and terrorism.

Finally, no less pressing or deserving of attention are USAID programs and activities conducted in developing countries in Africa, Southeast Asia, and elsewhere. There seems to be no shortage of global crises, whether human catastrophes caused by corrupt

governments or health emergencies fueled by expanding HIV/AIDS infection rates.

A business-as-usual approach is no longer adequate in meeting new and pressing demands on our foreign assistance. While the fiscal year 2004 foreign operations budget request is \$2.7 billion above the fiscal 2003 level, the majority of this increase is targeted toward new presidential initiatives that appear at first glance to maximize and make more efficient the delivery of U.S. foreign assistance.

For example, the Millennium Challenge Account proposes increased assistance to those countries meeting certain eligibility requirements, including a government's commitment to ruling justly, meaning a country's leadership has the political will to respect and enforce the rule of law, protect freedoms and liberties, and crack down on corruption. Many nations currently receiving U.S. foreign aid will not qualify for MCA funds because of this requirement. To maximize the impact of our foreign aid dollars, perhaps we should consider expanding the "ruling justly" requirement to our more traditional bilateral assistance programs.

Let me just close with a few comments on the reconstruction of Iraq. First, the subcommittee would appreciate your assessment of how programs are proceeding on the ground and an analysis of those obstacles and challenges the coalition will face in the weeks and months ahead. Second, many of our colleagues and I have been contacted by American companies eager to assist in the reconstruction of that country and today's hearing affords you an opportunity to clarify how contracts are being awarded and where those companies can turn for information and assistance.

#### PREPARED STATEMENT

Finally, it would be useful to articulate what you believe the long and short-term expectations of the Iraqi people are in terms of reconstruction and democratic governance.

With that, let me call on my friend and colleague Senator Leahy, the ranking member, for his opening statement.

[The statement follows:]

#### PREPARED STATEMENT OF SENATOR MITCH MCCONNELL

Welcome, Administrator Natsios. It is always a pleasure to have your appear before this subcommittee.

Let me begin by acknowledging the difficult task you and your Agency face in the post-September 11 world.

With the welcomed liberation of Iraq and Afghanistan comes the need for immediate and significant relief and reconstruction programs. These activities are often conducted in dangerous and dynamic environments, and your courageous field staff, NGO partners and contractors should be recognized for the risks they willingly assume in coming to the aid of the Afghan and Iraqi people.

Emerging from decades of repression, these countries require the full gamut of U.S. assistance programs—from food, water, and health care to governance, economic development and rule of law programs.

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Finally, it would be useful to articulate what you believe the long- and short-term expectations of the Iraqi people are in terms of reconstruction and democratic governance.

I look forward to your testimony.

#### OPENING STATEMENT OF SENATOR PATRICK J. LEAHY

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

First, Mr. Natsios, we are always pleased to see you and glad to have you here. As you know, I have been a strong supporter of USAID. I am always impressed by the quality of the men and women who work there, both in Washington and overseas. I do not always agree with where the funds go, but we need to work together.

I remember the mid-1990s, when some of my colleagues in the other party in the other body were trying to shut down USAID. It did not happen. I also would point out that the chairman of this subcommittee has been one who has strongly supported the wise use of foreign aid. He has done it with the care that Senators of both parties ought to emulate.

But now you are under assault from your own administration and from some in the House and the Senate. I will give you a couple of examples. The President wants to set up another bureaucracy outside of USAID to run the Millennium Challenge Account. The AIDS bill which the President just signed takes all your HIV/AIDS money and the power to decide how it is used and gives it to an independent coordinator. The Pentagon, not USAID or the State Department, is in charge of the biggest international relief and reconstruction effort in recent years, in Iraq.

So I look forward to hearing your perspective on the future of USAID. It seems to me the White House sees you as increasingly irrelevant.

I am also interested in hearing your views on nation-building. I remember the President’s National Security Adviser, Dr. Rice, criticizing the Clinton Administration for nation-building in the former Yugoslavia. To quote her, she said: “We do not need the 82nd Air-

borne escorting kids to kindergarten.” However, nation-building today is a major theme of the administration’s foreign policy. It is still the same world it was just a few years ago, but then nation-building was a bad idea, today it is a good idea. We are engaged in nation-building on a scale unlike anything since the Marshall Plan from Iraq to Afghanistan to East Timor to the Balkans.

I believe we do have a strong interest in helping these countries rebuild, but that does not mean that I agree with everything that is being done. In Afghanistan, President Bush said we need a Marshall Plan. Last year, the administration did not request a cent for Afghanistan, and the amount of aid the President has requested since September 11 pales in comparison to the Marshall Plan.

In fact, last year, when the administration did not put in the money for their so-called Marshall Plan for Afghanistan, Congress had to take resources from other, very important programs to give to Afghanistan. Even the amount we appropriated fell short. Warlords continue to wield power over large areas of the country. Afghanistan’s future remains far from secure.

In Iraq, it seems as if we are making it up from one day to the next. Months after the fall of Saddam Hussein, millions of Iraqis are without adequate water, shelter, employment, or any idea of what lies ahead. Yet everybody in both parties said these issues would have to be addressed after the war in Iraq. We all knew we would win the war, whether we supported it or not. We were sending the most powerful military the world has ever known against a fourth-rate military power; of course we are going to win. But nobody really thought much about what to do afterward.

Two months ago we appropriated \$2.4 billion for Iraq relief and reconstruction. Monday OMB said there is no coherent plan or strategy for what to do with that \$2.4 billion.

The President has received a lot of credit for increasing funds to combat AIDS. I totally agree with the President, but I doubt many people know that to do that his budget cuts just about everything else that we are doing in international health, all the programs that have been supported by both Republicans and Democrats for as long as I can remember. He would cut child and maternal health programs, aid for vulnerable children, funding to combat other infectious diseases, which kill millions of people, mostly children, the kind of diseases our people do not have to even worry about because it is only a matter of pennies to pay for the vaccinations.

But the money for these programs is being cut to fund the AIDS bill. It also cuts family planning.

Development assistance—the President’s budget would cut funding for these core programs, agriculture, children’s education, democracy-building—by \$35 million. That makes no sense, and I think it goes back on the pledge that the funding for the Millennium Challenge Account is in addition to, not in place of, funding for existing programs.

I worry about procurement at USAID. Everything you are trying to do is being hampered by bottlenecks in your procurement office. I know that is one of the things you want to fix and I want to know when it is going to be fixed.

With that I will stop, Mr. Chairman.

Senator MCCONNELL. Thank you, Senator Leahy.

## SUMMARY STATEMENT OF HON. ANDREW S. NATSIOS

Mr. Natsios, we will put your full statement in the record and if you could give a brief summary, we will maximize the opportunity for questions.

Mr. NATSIOS. Thank you very much, Senator. I want to thank the committee, both parties, for the strong support that our Agency has received from you Senators as well as from your staff. Paul Grove and Tim Rieser have been extraordinarily helpful and cooperative with us. We do not always agree on everything, but we appreciate the cooperative and open spirit that we have in dealing with the staff of the committee.

The last year has seen changes that none of us anticipated in many areas of the world, and we have begun a number of major new activities that I would like to talk about. Last fall we issued a set of papers called the "Foreign Aid and the National Interest Report" that tracks where we expect foreign assistance to go, broadly speaking, over the next decade. It is on our web site. We have widely distributed it. It is done by some of the preeminent scholars in development assistance and humanitarian relief in the country. Larry Diamond, for example, wrote the first chapter; he is one of the two great democracy scholars in the United States. But it is a road map. It is a direction for where we need to go, what has worked and what has not worked.

We have begun new initiatives in agriculture, in basic education, in trade capacity building. In the budget that you have before you, all of these areas will show increases in funding. Basic education goes up by over \$45 million, agriculture goes up by about \$10 million.

In addition, we have funded both in the State budget and the AID budget a line item should there be a just and equitable peace settlement in Sudan. We are the closest we have been in 20 years to a peace agreement in Sudan, and in our budget we have committed that should peace break out the U.S. Government would provide funds for reconstruction in Sudan.

There is I think great excitement in the agency because of the enormous potential for the expansion of the foreign assistance program of the U.S. Government. The President has proposed essentially a 70 percent increase in the budget for foreign assistance over the next three years through the Millennium Challenge Account and the HIV/AIDS account. We are already spending about a billion dollars, all spigots, on HIV/AIDS. The President has proposed an additional \$2 billion. Of course, the Millennium Challenge Account is a \$5 billion increase, the first installment of which, \$1.3 billion, is in the fiscal 2004 budget.

You ask, Mr. Chairman, about the Iraq and Afghanistan reconstruction. We would be glad to send you a detailed account of what is going on in both those budgets, but in the budget for 2004 between State and AID in all spigots for our two budgets, the 150 account, we have proposed \$657 million in the 2004 budget for reconstructing Afghanistan.

This year AID alone is spending, because of your appropriation, \$350 million in five major initiatives in Afghanistan. One is a major new agricultural initiative, \$150 million over three years; a

health initiative to extend health care across the country, 400 new health clinics of the 1,100 we believe need to be put in place to serve the country; a 300-mile road which is critically important to tying the Pashtun south, Kandahar, with Kabul, which will be completed by December of this year—imagine building a road from Boston—I come from New England—to Washington in eight months, in an area that is the most insecure in the country. We are progressing, though, substantially.

We have democracy and governance programs. We are helping the national Government with advice on options they have for writing their new constitution, which is a process that is ongoing now.

We also have an economic governance package that went into effect in September of last year, October of last year, which helps with the selling off of state-run enterprises, all of which are bankrupt, a new budgeting system for the national Government, a new customs collection system, a new uniform commercial code. We helped create the currency for the country that was issued last fall, working with the central bank. And a new education initiative where we will build 1,200 schools across the country and double the number of textbooks. We printed 15 million, we are going to print another 15 million, for a total of 30 million. We are the source of textbooks for public education in Afghanistan.

In Iraq, we have spent \$450 million on the humanitarian relief side, mostly on food aid, to make sure there is a bridge between now and the time the Oil for Food program goes into effect later this summer.

We have spent \$98 million so far of the reconstruction money and another \$234 million has been released by Congress and by the OMB that will shortly be put in the reconstruction accounts. We have an elaborate plan for how to spend that money. I can only speak for what I do. We have a plan for spending \$1.1 billion in reconstruction and \$600 million for humanitarian relief. We started designing that last October with 200 staff from AID. There are 100 AID staff now in Iraq or in Kuwait City where some of our offices are working.

Finally, I would like to mention the question that you brought up, Senator, on the procurement system. We indeed have a new procurement software system which we hope to install, but we cannot install it until after the new Phoenix system for our financial management has been installed in the field. It has been installed in the Washington and beginning actually last week we initiated a 25-month plan to install Phoenix in the missions, in 79 missions around the world. Actually, it will be in a reduced number of missions—we are collapsing the number of accounting stations—but it will serve the field.

Once that is in place, there are two things we can attach to it. One is this new procurement system, which will make much more efficient the way in which we do our procurements. The second thing we will be able to do is an information warehouse software package, which will allow information—the questions you give us now that we must manually calculate because we do not have and have not had for 25 years a unified financial management system worldwide. We will have that within 25 months if all goes according to plan.

So the business systems reforms are 50 percent there, but they are not finished yet, and until they are I will not be satisfied. But we do appreciate very strongly the support of the committee in this.

I want to just end by making a comment about extending the MCA standards, which you, Mr. Chairman, very thoughtfully brought up, as an option for our regular programs. We have proposed in fact to the White House and to the Congress a package that seeks to restructure AID, not from a statutory standpoint, but we will look at countries and divide them specifically into the following categories:

Countries that just barely missed being eligible for MCA status, but want to make it, and they will require heavy reforms and focus on the areas where they failed to meet the MCA standards. So we will direct our resources in those countries in the areas where they were failing.

The second are countries that are failed and failing states. We have a new bureau. It is not new any more, it is two years old, but we have reorganized. Roger Winter heads that bureau, who is widely known in the NGO community and the human rights community. It is a bureau that deals with failed and failing states, called Democracy, Conflict, Humanitarian Assistance. That bureau has more money in it than ever in AID history. It is up to almost \$2 billion this year, for failed and failing states, for countries that are not even remotely on the chart for MCA, but that we do not want to forget.

The third category are countries that are in our geostrategic interest. Egypt, Jordan, Pakistan are three ESF countries. They are in a separate category. We must make those countries' programs be geared to the geostrategic national security interests, narrowly defined, of the United States Government. We need to treat them in that category.

Finally, there are countries that just are not close to making it. We need to ascertain in those countries whether there is the will to reform, and if there is the will to reform we will help them move toward MCA status, but it will take a while to get there. And if there is no will and the country is really stuck and there is no chance of it getting out because of the absence of political leadership, we will work exclusively through the NGO community and the university community and not deal with the Government.

#### PREPARED STATEMENT

Senator, I know you have a lot of concerns about several countries in Asia in that category, which we would very much agree with you on. But we need to think clearly about which countries fit in which categories and restructure our program along those lines.

I would like to submit my written testimony, which is much more lengthy, for the record.

[The statement follows:]

## PREPARED STATEMENT OF HON. ANDREW S. NATSIOS

Chairman McConnell, Senator Leahy, members of the subcommittee: Thank you for inviting me here today to discuss the President's budget for the U.S. Agency for International Development for fiscal year 2004.

## THE STRATEGIC IMPORTANCE OF DEVELOPMENT ASSISTANCE IN THE NEW MILLENNIUM

We live in an era that has seen dramatic change in recent years—an era that is rapidly evolving. Globalization, technology, HIV/AIDS, rapid population growth, terrorism, conflict, weapons of mass destruction and failing states—these are just some of the issues shaping today's world. Most of these issues—both good and bad—do not recognize national borders. They affect us directly and are dramatically altering the way in which we think and operate.

The Bush Administration is restructuring and revolutionizing our national security apparatus so we can better respond to the challenges facing the world today. Under the President's leadership, USAID is also changing. Where appropriate, we are applying lessons we have learned over the years, whether in Afghanistan or Iraq, or in the fight against HIV/AIDS in Africa and around the world. This ability to adapt will determine our success as part of the President's resolute campaign to attack poverty, ignorance and the lack of freedom in the developing world.

In September 2002, President Bush introduced his National Security Strategy. In it, the President discussed development as a vital third pillar of U.S. national security, alongside defense and diplomacy. Thus for the first time, the Strategy recognizes the importance of both national and transnational challenges, such as economic growth, democratic and just governance, and HIV/AIDS to our national security.

The President's National Security Strategy identifies eight concrete goals. Two of them speak directly to our development mission. The first is to ignite a new era of global economic growth through free markets and free trade. The second is to expand the circle of development. Trade capacity building lies at the intersection of these two goals, and supports both. It promotes USAID's core concern with development, while reinforcing the core U.S. trade policy goal of further opening up and expanding international trade.

Foreign assistance will be a key instrument of U.S. foreign policy in the coming decades. As a consequence, our foreign assistance budget is poised to rise dramatically. The President's recent budget requested a dramatic increase in the development and humanitarian assistance account, from \$7.7 billion in fiscal year 2001 to more than \$11.29 billion in fiscal year 2004. It is clear that this Administration has taken development off the back burner and placed it squarely at the forefront of our foreign policy. But this is only one piece of an unprecedented and concerted commitment by President Bush and the U.S. Government make foreign assistance more effective.

## THE CHANGING LANDSCAPE OF FOREIGN ASSISTANCE

Looking back over several decades, one must recognize that the developing world has made significant progress. Of the world's 200 countries in 2001, for example, 124 were democracies at least in some form. This is an unprecedented number. Similarly, most of the world's 6.2 billion people now live in countries where some form of market economics is practiced. This is a dramatic increase since 1980. Population growth rates are down, and in some parts of the world health and education levels have surpassed U.S. levels of 50 years ago. Globalization has integrated the world's markets for goods, services, finance, and ideas. Remarkable advances in biotechnology are bringing the promise of new cures for the sick and new kinds of seeds and food for the hungry.

But we still face an uncertain future. In many developing countries, HIV/AIDS and health issues are having a dramatic impact on social cohesiveness and economic strength, blocking the very development goals we seek. Virtually all the new democracies in the world today are fragile; others are democracies more in name than substance. Nearly a quarter of the people living in developing countries, or about one billion people, live in absolute poverty. There are a host of other threats—ranging from terrorism to infectious disease and violent conflict—that challenge us and the developing nations we seek to help.

Events such as the Monterrey Conference on Financing for Development and our recent report, *Foreign Aid in the National Interest*, are helping us focus clearly on what has been accomplished so far and what needs to be done to meet the challenges that lie ahead. The President's Millennium Challenge Account (MCA), an-

nounced at Monterrey, is a direct outgrowth of what USAID and our development partners have learned.

Simply put, development assistance works best when nations have responsible institutions and governments that pursue policies conducive to economic growth. Democratic governance, sound policies, and open, transparent institutions are the keys to development. Performance, not intentions, is what matters most, so we have learned the importance of measuring that performance with rigorous and unbiased indicators.

Many of the grave issues facing the developing world require us to take new approaches. We have to revolutionize how we think about aid in general and USAID in particular. The issue of how to deal with failed and failing states is just one example. As the President's National Security Strategy stated, "America is now threatened less by conquering states than we are by failing ones."

Under the leadership of President Bush and Secretary of State Powell, we now have both the opportunity and the obligation to implement a development strategy that clearly defines our challenges and identifies the best approaches to address them. We are working more closely than ever at the interagency level to clarify the roles and linkages of U.S. development institutions. The work done on the MCA is an example of this renewed interagency coordination. Working with the State Department to develop a joint strategy should greatly improve coordination of our foreign assistance programs.

#### THE MILLENNIUM CHALLENGE ACCOUNT AND THE ROLE OF USAID

As I stated in earlier testimony on the MCA, I find it helpful to think of countries in five broad groupings:

- MCA countries or the best performers.
- Countries that just miss qualifying for the MCA and with a little help have a good chance of doing so.
- Mid-range but performing counties with the commitment to reform. For these countries, our assistance will focus on achieving progress in specific aspects of development, especially economic growth and democratic governance.
- Selected failed, failing, and post-conflict states that require specialized assistance, post-conflict reconstruction or humanitarian assistance. This is a new element of the Agency's core business. In these countries our objective will be establishing greater security, stability and order. Programs will focus on food security, improving governance, and building the collective sense of nationhood that must precede evolution to more democratic forms of government and lay the groundwork for countries to move toward longer-term development.
- Countries requiring assistance for strategic national security interests.

I would like to highlight our belief that focusing on responsible governance and good performers must infuse all our development efforts—not just the MCA. This should be the case for other bilateral and multilateral donors as well. In this way, the MCA will serve as a model for all of our assistance programs. Indeed, we are already applying an MCA lens to our country programs, informing resource decisions. The strategic budgeting system that we will be adopting will base the allocation of resources on criteria such as need, performance, commitment, and foreign policy priority. The intent is to have a more performance-driven and cost-effective foreign aid program that is fully responsive to our national security objectives.

#### STRATEGIC DIRECTION AND BUDGET PRIORITIES

USAID manages program funds from a number of Foreign Affairs accounts directed at addressing a broad array of international issues facing the United States. These range from fighting the HIV/AIDS pandemic to sustaining key countries supporting us in the war on terrorism to bolstering democracy, the rule of law and good governance in countries important to our national security. Many of these issues were highlighted in Secretary Powell's excellent testimony before this subcommittee on April 30.

For fiscal year 2004, the Administration's request from the accounts USAID manages is \$8.77 billion in program funds. The account breakout is provided below followed by a discussion of program priorities.

- \$1.345 billion for Development Assistance, and \$1.495 billion for Child Survival and Health; \$235.5 million in International Disaster Assistance; \$55 million for Transition Initiatives.
- \$2.535 billion in Economic Support Funds; \$435 million for assistance for Eastern Europe and the Baltics; and \$576 million for assistance for the Independent States of the Former Soviet Union. We co-manage these funds with the State Department.

—\$1.185 billion in Public Law 480 Title II funds are managed by USAID.

Our readiness to manage these resources and deliver the results intended is of particular importance to me. The budget request for salaries and support of our staff that manage these programs is \$604 million. In addition we request \$146 million for the Capital Investment Fund, \$8 million to administer credit programs and \$35 million to support the Office of the Inspector General.

*Economic Growth, Agriculture and Trade.*—The Administration's request for these programs is \$2.316 billion, including \$584.2 million in Development Assistance.

Economic growth is an essential element of sustainable development and poverty reduction. Trade and investment are the principal mechanisms through which global market forces—competition, human resource development, technology transfer, and technological innovation—generate growth in developing and developed countries. During the 1990s, developing countries that successfully integrated into the global economy enjoyed per capita income increases averaging 5 percent annually. However, countries that limited their participation in the global economy saw their economies decline.

In the President's National Security Strategy, he set the goal of igniting a new era of global economic growth through free markets and free trade. At the March 2002 International Financing for Development conference in Monterrey, Mexico, leaders of developed and developing countries agreed that trade and investment are critical sources of development finance—far outweighing foreign assistance in the broader context of international capital flows. President Bush pointed out that developing countries receive \$50 billion a year in aid, while foreign investment inflows total almost \$200 billion and annual earnings from exports exceed \$2.4 trillion.

I am proud that USAID has just issued a new Trade Capacity Building Strategy as a cornerstone of our economic growth efforts. In developing this strategy, USAID has worked closely with Ambassador Zoellick, the U.S. Trade Representative. USAID will enhance trade capacity building programs with new initiatives to support developing countries' participation in international trade negotiations and help countries develop trade analysis expertise. To support trade agreement implementation, USAID will introduce new programs to promote sound systems of commercial law and improved customs management. USAID will also help developing countries establish open and competitive markets in service sectors that are critical to trade and strengthen economic responsiveness to opportunities for trade. We will build on the success of the Africa Growth and Opportunity Act (AGOA) to provide market-access for goods produced in sub-Saharan Africa. We are also implementing the President's Trade for African Development Initiative (TRADE) and preparing Central American countries to adopt a Central America Free Trade Agreement (CAFTA), for which we began negotiations earlier this year. We are also carrying out a broad range of trade capacity building activities throughout the Americas in support of the negotiations for a Free Trade Area of the Americas.

Economic growth and poverty reduction also depend on increased productivity at the firm level. Strong micro-enterprise and small business sectors will continue to receive emphasis as important elements of USAID's approach to growth.

For many poor countries with largely rural societies, agriculture connects poor people to economic growth. A vibrant and competitive agricultural and business sector fosters growth. And a supportive policy and institutional enabling environment encourages enterprise, innovation and competitiveness.

Agricultural development remains a critical element of USAID's approach to economic growth and poverty reduction. Most of the world's poorest and most vulnerable populations live in rural areas and depend on agriculture. In fiscal year 2004, the budget request includes \$268.4 million in Development Assistance and \$470.2 million from all accounts for agricultural development.

The requirements for agricultural development are well known. Increasing productivity will lead to higher incomes and more investment in the agricultural sector. USAID programs will address these factors at the national, regional and local levels and increase attention to agriculture in Latin America and Africa. Particular emphasis is being given to the President's Initiative to End Hunger in Africa. We will also boost agriculture in developing countries by restoring the budgets of global agricultural research centers, training scientists, and funding science-based applications and biotechnology. Additionally, we will work to connect farmers to global supply chains by encouraging agricultural trade reform, supporting producer organizations and promoting needed market infrastructure.

Modern biotechnology offers great promise in addressing food insecurity in Africa and elsewhere in the developing world. We are helping build national and regional biotechnology research programs that focus on increasing the productivity and nutritional quality of African food crops. A good example is our support for the African

Agricultural Technology Foundation, a partnership between USAID and several private entities.

*Environment.*—The Administration’s request for environmental programs is \$449.2 million including \$286.4 million in Development Assistance.

Environmental degradation is an increasing threat to long-term development with severe effects on health, trade, and poverty reduction efforts in general. Effects can be felt directly in the United States, as in the case of climate change. It is in our interest to ensure that policies and institutions actually support sustainable development. USAID’s efforts will focus on four initiatives: Water for the Poor; Clean Energy; the Congo Basin Forest Partnership; and Global Climate Change, as well as ongoing programs in natural resource management, forestry, reducing illegal logging, and minimizing pollution.

*Democratic Governance.*—The Administration’s request for Democratic Governance from all accounts is \$1.0208 billion including \$164.8 million in Development Assistance.

Governance based on principles of accountability, participation, responsiveness and effectiveness is the foundation of development and the key to achieving progress in the three areas named by President Bush in the MCA—ruling justly, promoting economic freedom, and investing in people. Our democracy and governance programs will give new emphasis to strengthening public administration, assisting policy implementation, and providing citizen security, all of which are integral to democratic governance. We will continue to support assistance programs involving human rights, the rule of law, strengthening political processes, promoting civil society including organized labor, and building local government capacity. Anti-corruption programs will receive special attention and funding. Programs to prevent trafficking of persons and assist victims of war and torture will also be continued.

One of the most significant lessons we have learned is that governance—policies, institutions and political leadership—and not resources alone, matter most. Thus, USAID will reduce assistance to countries where a commitment to democratic governance is lacking. This “tough love” approach is necessary, if we are to provide resources where they can be most effective. At the same time, governance is critically important in “fragile” and failed states. USAID will begin to selectively offer support in such countries towards the provision of security, stability and reconstruction which will provide the basis for future development.

While we face democratic governance challenges around the globe, they are particularly acute at this time in the Mid East and broader Muslim world.

*Health and Education.* The Administration’s request for Health is \$2,136.2 million from all accounts, with \$1.495 billion in Child Survival funds. Over half of the Child Survival request, or \$750 million, is for HIV/AIDS programs. The Education and Training request is \$425 million from all accounts, with \$262.4 million of that Development Assistance.

Fundamental to economic growth is improving people’s health and education. Many developing countries’ workforces will grow over the next two decades. As a result, some developing countries will have more human resources to invest in economic endeavors. But for that to happen, investments must be made today so that their economies grow, and their workers are healthy and educated.

As we are witnessing with HIV/AIDS in many developing countries, health dramatically affects a country’s development prospects and must be aggressively addressed if overall development is to take place. USAID remains a global leader in HIV/AIDS prevention, care and mitigation programs. Under the guidance of the White House Office of National AIDS Policy, USAID is working closely with the Department of Health and Human Services to implement the President’s Mother and Child HIV Prevention Initiative and to prepare the foundations necessary for delivery of treatment, care, and prevention, as outlined in the President’s Emergency Plan for AIDS Relief. USAID will continue and strengthen support to international partnerships, including key alliances with the private sector, and the Global Fund for AIDS, Tuberculosis and Malaria.

USAID’s programs in the areas of child survival, maternal health, vulnerable children, infectious diseases, family planning and reproductive health are cornerstones of U.S. foreign assistance. Our health programs save millions of lives through cost effective immunization, disease prevention, breastfeeding, nutrition, sanitation and voluntary family planning programs.

While our leadership has brought about important successes, 11 million children under the age of 5 still die every year, the vast majority of them from preventable and treatable diseases such as measles, diarrhea and pneumonia. Four out of every 10 people lack access to basic sanitation; 42 million people live with HIV/AIDS. Our effectiveness in preventing illness and pre-mature death contributes to global economic growth, poverty reduction, and both regional and domestic security.

Global markets are changing, as more developing countries shift from production based on low-wage labor to higher-end manufacturing. Doing so requires workers able to learn new skills and master new technologies. In countries where access to primary schooling remains incomplete and educational quality remains inadequate, the urgency of educational reform is increasingly apparent. Where improvements are enabling more students to finish primary school, countries need to ensure that new skills can be acquired. Taking full advantage of the global economy requires workers with the academic and technical skills to adapt technology to local conditions. While continuing to help countries make educational improvements, U.S. foreign assistance must help more successful countries maintain their upward momentum. The President's Education for Africa Initiative, which addresses a range of basic education needs, is an important element in this effort. We are working closely with the international Education for All program to provide resources for those countries who demonstrate performance and commitment to educating their children.

*Internal Conflict.*—This budget request includes \$27.7 million in Development Assistance specifically for intra-state conflict, as well as \$55 million for Transition Initiatives. Additional funding for conflict management and mitigation can come from our various sector programs, most importantly Democracy and Governance and Humanitarian Assistance.

USAID's goal is to be an agent for peaceful change, wherever and whenever possible. We cannot realistically prevent every conflict. We are, however, working hard to improve our ability to mitigate and manage conflict. Some two-thirds of the countries where we work are entering conflict, engaged in conflict, or just recovering from a conflict. The causes are complex, and there are no quick and easy solutions. Yet at a general level, conflict prevention and management entail a continuum of interventions that, done carefully, can strengthen the capacity of states to manage sources of tension. A crucial part of the solution is encouraging innovative institutions that can deal with problems—local, regional, national, and international—and resolve them peacefully.

Our Office of Transition Initiatives provides a fast and flexible response capability to address the needs of countries experiencing significant political transitions or facing critical threats to basic stability and democratic reform. Recent interventions, for example, helped Afghanistan, Burundi, East Timor, and Macedonia. New programs are being initiated in Angola, Sudan, and Sri Lanka.

Among the most important things that donors can do is develop a deeper, context-specific understanding of what drives conflict. This will require a significant investment in research and analysis among donors and in countries where conflict programs are being considered. Every major focus of our assistance has at least some bearing on conflict—from economic growth, to agriculture, to democracy and governance. We will apply a cross-sectoral, multi-disciplinary perspective when designing programs in environments of conflict. We will apply a conflict lens to each area in high-risk countries. Recognizing the complexity of conflict prevention, mitigation and management, we will coordinate closely with other USG departments and agencies, donors, and other partners.

*Humanitarian Aid and Failed States.*—The Administration's request is \$1.69 billion, including \$1.185 billion for food, \$200 million for the new Famine Fund, and \$235.5 million for disaster assistance programs. USAID is addressing the challenge of forging a comprehensive response to failed and failing states: examining the sources of failure, working to build institutional capacity, and providing critical humanitarian aid to the most vulnerable.

More than three million people lost their lives in the disasters of the 1990s. Conflict-related emergencies were the most deadly, with many hundreds of thousands of people killed in direct fighting. Millions more have been internally displaced or forced into refugee status. By the end of 2000, failed and failing states displaced 25 million people within their own countries and 12 million refugees who fled across national borders. While conflict-related disasters have dominated the funding and focus of international assistance over the last decade, natural disasters still take a tremendous toll worldwide. There were three times as many natural disasters in the 1990s as in the 1960s. Extreme weather related events are projected to increase. In addition, HIV/AIDS and other communicable diseases are on the rise in complex humanitarian emergencies, with more than 75 percent of epidemics of the 1990s occurring in conflict areas.

The United States is the world's largest humanitarian donor. We provide life-saving assistance to people in need of food, water, shelter and medicine. Coordinated by our Office of U.S. Foreign Disaster Assistance (OFDA), USAID deploys quick response teams that include experts from USAID and other USG agencies. Our Public Law 480 Title II emergency food aid has provided critical food needs in Afghanistan,

Ethiopia, Southern Africa, and other protracted emergencies. USAID is playing a lead role in providing humanitarian aid in Iraq. We are prepared, and with the support of other USG agencies and our implementing partners, we will do our utmost to avert a humanitarian crisis. Along with immediate humanitarian relief, USAID is prepared to contribute to political reform and stability.

We will continue to respond to humanitarian needs to save lives and minimize suffering. But we need to do more to reduce vulnerabilities that transform natural, socio-economic and political events into disasters. For example, the promotion of accountable governance and a free press will help defend against famine and conflict. The development of local and global capacity to anticipate and respond to emergencies will be reinforced by enhancing early warning systems that guide policies and public action in countries at risk. We will do more to link humanitarian response with longer-term development goals, in particular in health. Child immunization programs, for example, have sometimes served as a bridge to peace, with cease-fires respected even in war zones. Closer coordination with other donors will ensure our response is effective and the burden of humanitarian aid is more evenly shared.

We will work to strike a balance among political, military and humanitarian strategies. By coordinating closely with the U.S. military we can carry out relief operations even in the midst of war. At the same time, we strongly affirm the neutrality of humanitarian assistance, which should be based on assessed need. More emphasis must be placed on protecting those who receive emergency relief from violence or human rights abuse, whether refugees or internally displaced persons (IDPs). We will encourage our implementing partners to improve accountability of humanitarian aid by adopting standardized measures of effectiveness.

In his fiscal year 2004 budget, the President announced a new humanitarian Famine Fund. This is a \$200 million contingency fund for dire, unforeseen circumstances related to famine. Use of the fund will be subject to a Presidential decision and will be disbursed by USAID, under the same authority as International Disaster Assistance, to ensure timely, flexible, and effective utilization. The Famine Fund is intended to support activities for which other funding is either unavailable or inappropriate and will increase the ability of the United States to anticipate and respond to the root causes of famine.

*Mobilizing Private Foreign Aid.*—Today private sources of foreign aid account for over 50 percent of the total assistance coming from the United States. Foundations, corporations, private and voluntary organizations, colleges and universities, religious organizations, and individuals provide \$30 billion a year in aid. Given this new reality, we at USAID are expanding our partnerships with a full array of private sources and undergone a fundamental reorientation in how we relate to our traditional development partners.

Two important approaches to achieving this are: (1) our Global Development Alliance which works to mobilize resources from and foster alliances with U.S. public and private sectors in support of USAID objectives; and (2) Development Credit Authority which is an Agency mechanism to help develop credit markets and to issue partial loan guarantees, thereby mobilizing private capital for sound development projects. Examples of these partnerships are:

- In Brazil, USAID is working with private companies and NGOs to encourage low-impact logging.
- The Digital Freedom Initiative (DFI) is an outstanding example of what can be accomplished when several branches of the U.S. Government and leading American companies like Cisco and Hewlett-Packard join forces to help long-time friends like Senegal build on Senegal's already significant information and communication technology base. The DFI will also facilitate the development of information communications technology applications that enable small and medium-sized businesses to become more profitable, find new markets, and access credit and other inputs more easily. Over the life of the pilot activity, we envision that more than 350,000 small businesses will be involved.
- In Angola, USAID is cooperating with a U.S. oil company to promote business development in rural communities. The first activity planned will assist 150,000 Angolan families affected by the civil war (former soldiers and internally displaced people) by providing agricultural support and training. We view this as an important step in consolidating the recent peace.
- In Guatemala, a credit guarantee covers a portfolio of loans to small businesses, small-scale producers and cooperatives operating in the Peace Zone, a rural area of Guatemala that has suffered from political unrest, and normally is without access to commercial credit.

## OPERATING EXPENSES AND STAFFING

The President's budget request calls for us to manage a program budget of \$8.8 billion at a time when foreign aid challenges are growing increasingly complex and the environment in which we operate more dangerous. We face the triple challenge of addressing: (1) the increased strategic importance of funding key countries and programs; (2) rising costs of protecting U.S. personnel overseas; and (3) rapid retirement of many of our most experienced officers. These call on us to:

- Reform our business systems to enable innovative and streamlined business models for Washington Headquarters and our field missions to strengthen our ability to quickly respond in today's political environment.
- Strengthen our future readiness by ensuring that our Civil Servants and Foreign Service Officers have the skills and competencies needed in increasingly complex settings.
- Expand our intellectual/knowledge capital to meet future demands.
- Ensure accountability in program implementation in increasingly complicated structures.
- Recruit the right people at the right time, train and deploy them to meet our development mandate.
- Protect the safety of our staff, overseas and in Washington.

We request a total of \$604 million for our operating expenses. This amount, combined with \$49.7 million from local currency trust funds and other funding sources, will provide a total of \$653.8 million to cover the Agency's projected operating expenses.

In addition, we request \$146 million for the Capital Investment Fund (CIF) to fund Information Technology to support major systems improvements that will strengthen the Agency's ability to respond and operate effectively; develop enterprise architecture in collaboration with the Department of State to enable an integrated accounting system worldwide; and, fund new office facilities co-located on embassy compounds where the State Department will begin construction by the end of fiscal year 2003.

We also request \$35 million to ensure continued operations of the Office of the Inspector General associated with USAID's programs and personnel and \$8 million for managing credit programs.

## MANAGEMENT IMPROVEMENT

Mr. Chairman, I know that you and this Committee are very interested in our management reform efforts. I would like to update you, therefore, on our progress in this area. Meeting foreign policy and program management challenges requires a modern, flexible and well-disciplined organization. In close coordination with the President's Management Agenda, USAID is aggressively implementing an ambitious management reform program including the introduction of new business systems, processes and changes to our organizational structures.

- In conjunction with the State Department's Diplomatic Readiness Initiative, we will ensure that the Agency has adequate numbers of staff to meet present and future national security challenges. In fiscal year 2004, for example, USAID will recruit, train, and assign up to 50 additional direct hire staff overseas to address staffing gaps resulting from retirement of Foreign Service Officers.
- We are also evaluating, with the Department of State, the feasibility of more closely linking some of our business systems to achieve operating efficiencies.
- And we are working closely with the Department of State to improve our support for U.S. public diplomacy and public affairs efforts overseas, especially targeting the Muslim and Arab worlds.

I am pleased to report to the Committee that:

- We have implemented improvements to the Headquarters core accounting system and improved financial and performance reporting. We have expanded cross-servicing and outsourcing, including grant management (HHS), loan management (Riggs) and payroll (NFC).
- We have closed the Agency's material weakness on reporting and resource management, and received an unqualified audit opinion on four of five principle financial statements (and an overall qualified audit opinion for the first time.)
- We have made progress in improving employee morale and employee satisfaction with management services. For example, my second annual Agency-wide survey of all employees' opinions and attitudes, completed in November 2002, showed that 63 percent of those responding rated their morale as "good" or "outstanding." Improvements in performance by business function ranged from 20 points for human resources and information services to 37 points for financial management and procurement services. While the results indicate we have

made progress, there remains room for improvement and we still have a lot of work ahead of us.

- We are in the process of developing a comprehensive Human Capital Strategic Plan designed to address both USAID's particular needs and the President's Management Agenda requirements. The plan will address a critical need to rebuild and train our workforce, to put the right kind of people with the right skills in the right place. It will also address our need to have surge capacity to meet crises such as in Afghanistan and Iraq.
- We have piloted an automated e-procurement system and deployed e-procurement capabilities to speed the purchase of frequently used goods and services.
- We are drafting a knowledge management strategic plan to reposition the Agency as a global leader on development issues and to facilitate knowledge sharing among partners and staff. Completion is expected by mid-2003.
- We have developed a strategic budgeting model to enable us to link performance and resource allocation more efficiently.

This year we began implementing the plans for human capital, knowledge management, and strategic budgeting. We will procure new acquisition and assistance software, begin pilot testing our Phoenix financial management system overseas, and reintroduce the International Development Intern program for recruitment and training of junior Foreign Service officers.

#### IN CONCLUSION

This budget request is founded on three precepts:

- Foreign aid and the Agency for International Development are essential elements of our country's national security apparatus.
- Our programs are evolving to meet the challenges of the new millennium.
- We are pressing ahead with the management reforms begun in 2001 and transforming USAID into an organization of excellence.

Mr. Chairman, I would like to assure Congress that USAID's budget request for fiscal year 2004 rests on a solid foundation of professional analysis and a strong commitment to performance and management reform. We know it is impossible to satisfy everyone who looks to us to address every problem that arises. We have spent many hours trying to determine the best use for our resources and have had to make many painful choices. I hope my remarks today have been helpful in explaining our priorities, and I look forward to working with you over the coming year as we move our foreign policy agenda forward.

Thank you.

Senator MCCONNELL. As I indicated earlier, that will be made part of the record.

Since we have a number of Senators here, I am not going to take my full 5 minutes, but I do want to begin by focusing on another part of the world that has been very much in the news this past week—Burma. I introduced yesterday along with Senator Feinstein and a number of co-sponsors, including my friend and colleague Senator Leahy, a bill that would impose sanctions on Burma, including a ban on exports and restriction on visas and the like.

I have had an opportunity to speak with Deputy Secretary of State Rich Armitage, Deputy Secretary of Defense Paul Wolfowitz, and National Security Adviser Condoleezza Rice about the situation in Burma and I am hopeful that the administration will support the bill and that we can get it through Congress in short order.

But I want to focus on Burma and USAID. Last year, we put \$1 million in our budget for HIV/AIDS programs in Burma with the full appreciation that the military regime that runs that country has no interest in its people and with the condition that this relief would be administered through international nongovernmental organizations in consultation with Burmese democracy leader Aung San Suu Kyi.

I am curious, given the fact that Suu Kyi has, for most of the last 13 years, been under house arrest, how USAID and its con-

tractor have been able to consult with her in coordinating the HIV/AIDS programs in Burma.

Mr. NATSIOS. Senator, I do not know specifically our conversation with her, but I will get back to you on the question. I do know that we have initiated the HIV/AIDS program through the NGO community. There is also \$500,000 I believe the Congress has appropriated in the budget for 2003 for democracy programs, which we were also supposed to and will consult with her as to how that money should be spent.

We are all appalled by what has happened in the last few weeks. It appears that the regime has moved 10 years back in time. She is, as you know, under much more constrained circumstances. She appears to have been physically harmed in the latest attacks and we are extremely disturbed by the course of events. So we will work very closely with your staff to see to it that we structure our program, however modest it may be, along the lines of what you have suggested in your remarks.

Senator MCCONNELL. Well, we are hoping the U.N. Special Envoy Mr. Razali Ismael will be able to see her tomorrow when he is in the country. Somebody needs to see her to verify that she is still alive and well, given that she has been attacked.

How do you provide any kind of oversight for the use of U.S. foreign assistance in Burma?

Mr. NATSIOS. We have opened a regional office in Bangkok, Thailand, because we are doing increasing programs in countries in which we cannot have an AID presence. So that new office is to provide oversight for the programs we run in Laos and the programs that we run, limited ones, in Burma.

Senator MCCONNELL. Given the difficulty of carrying out any of these functions—since you have to do it by working around and not through the regime—could USAID handle an increase in HIV/AIDS funding?

Mr. NATSIOS. Yes, we could.

Senator MCCONNELL. You could.

Mr. NATSIOS. We work in countries in the middle of civil wars, with extraordinarily repressive regimes. Sudan, North Korea we have worked in before. I can give you a list of countries where we—

Senator MCCONNELL. Does the regime actively interfere with the NGO's inside Burma trying to help on this issue?

Mr. NATSIOS. I think in the health sector they do not. It depends on whether or not the regime believes that the activities are threatening them in a direct sense, and health is an area where the programs tend to not be as threatening as some other kinds of programs.

Senator MCCONNELL. Well, I would be interested in any thoughts you might have before we start drafting this year's foreign operations appropriations bill as to how we might enhance the opportunity to consult with Suu Kyi and the NGO's to improve the situation in Burma.

Mr. NATSIOS. We will get back to you, Senator, on that.

Senator MCCONNELL. Okay. I am going to cut short my round and then go to Senator Leahy and Senator DeWine.

Senator LEAHY. Thank you. Thank you, Mr. Chairman.

Incidentally, Mr. Natsios, I want to call your attention to the efforts of Barbara Best. She has been working with my staff up in Vermont on the so-called LakeNet Project. It is a good project. I would invite you up to see it some time. I invite you up, Mr. Chairman, to see it. The Lake Champlain area is very pretty.

Mr. Natsios, let me read you an article from a magazine written recently. I quote it:

The blithe assumptions of the Iraq War's Pentagon architects that a grateful Iraqi Nation, with a little help from American know-how and Iraqi oil cash, would quickly pick itself up, dust itself off, and start all over again are as shattered as the buildings that used to house Saddam Hussein's favorite restaurants. In Baghdad and many other Iraqi cities and towns, civic society has degenerated into a Hobbesian state of nature. Despite the heroic efforts of a scattered minority of mid-level Iraqi civil servants, the services that make urban life viable are functioning, at best, erratically. More often, they do not function at all. One of the few things that thrives now in Baghdad is a deepening distrust and anger toward the United States.

In Iraq, what is USAID's role? And how do you feel about—this was from the New Yorker magazine, incidentally. How do you feel about that criticism? Is it accurate?

Mr. NATSIOS. First, I would say that this is a time, an event in progress, which is to say events change very rapidly. So what was true a week after the war ended is no longer true now.

Senator LEAHY. Let us just talk about today.

Mr. NATSIOS. Okay.

Senator LEAHY. How many people do you have there today?

Mr. NATSIOS. We have 100 people between the DART team, the Disaster Assistance Response Team from the Humanitarian Relief Bureau, and we have 27 people in the USAID mission, headed by Lew Lucke, a career foreign service officer we recalled from retirement who was the mission director in Jordan, speaks Arabic, knows the Arab world very well.

Senator LEAHY. Is he living in Baghdad?

Mr. NATSIOS. He is in Baghdad right now.

Senator LEAHY. He is not living in Kuwait?

Mr. NATSIOS. He was in Kuwait before the war started and it was difficult the first month because we did not have electricity, running water, et cetera, in the place in which we worked. I think we just moved this week into a convention center facility, which is quite good and has all of the conveniences we need to keep our staff functional. So the staff, more and more of them are moving up to Baghdad now.

Senator LEAHY. Would it be more—what would you anticipate the number of USAID workers be 2 months from now?

Mr. NATSIOS. The same number. We are at what we need to do. We are transitioning, though, out of the humanitarian relief mode because we did not experience a humanitarian disaster. We expected three things would happen that did not happen, thank heavens. We expected that Saddam would turn, in his fury on the Kurds, the Shias in the south, the Turkmen, other ethnic groups that he hates and that he has visited terrible things on in the past. He did not do that.

Two, we were afraid—he could consider blowing up the large dams and flooding the country, which he did during the Iraq-Iran War. Third, we were afraid there would be large-scale population

movements, internally displaced and refugees. There were not. There were almost no population movements.

So there were pockets of need. We answered those and we have moved into a transition phase. So the Office of Transition Initiatives has taken the leadership now of the DART team and we will move into public employment programs, which we have begun in Baghdad neighborhoods now. Four city councils have been set up in Baghdad—or village councils, I should say, in neighborhoods, that have been elected or chosen by the people in the village, in the neighborhood, and they are beginning to make decisions. We are providing small grants for improvements in these neighborhoods.

In Umm Qasr, the port, we just opened our first Internet cafe. They do not have the Internet, they did not until now. I thought it was sort of a mundane thing. It was a very emotional thing, because we took people from the mosque and the new city council and showed them what the Internet was. Several people were stunned and broke down during the demonstration because they did not know this thing—they heard rumors of it; they did not know it really existed. They said: We have been cut off all these years to this.

Senator LEAHY. I think that is an extremely positive thing. I was a little bit troubled. Maybe I misunderstood what you said earlier. I agree with you, I am delighted that he did not lash out at the Kurds while we were in there and that all the weapons he may or may not have had, that none of them were used against our troops.

But you had to anticipate that there was going to be real problems in a number of the cities, just watching CNN at night and seeing the buildings being bombed, the electricity being cut off, water being cut off. Seeing the news about the looting, the destruction at the hospitals—apparently we did put tanks around the oil ministry, but the other places—I still do not have a very comfortable feeling about what we are doing.

Your director is in Baghdad? He is not in Kuwait?

Mr. NATSIOS. No, no, no.

Senator LEAHY. He does not go back there at night?

Mr. NATSIOS. No, no, no. He comes—part of our procurement staff and our technical staff that does the paperwork is still in Kuwait because there is infrastructure—

Senator LEAHY. That does not bother me.

Mr. NATSIOS. The director, in fact we talked to him yesterday. He is in Baghdad. He has been in Baghdad for the last week, I believe.

Senator LEAHY. For a week?

Mr. NATSIOS. Well, he was back here to his daughter's graduation, I think.

Senator LEAHY. But he is there now?

Mr. NATSIOS. Right.

Senator LEAHY. So you have got somebody on the ground. What is his security when he goes out? Can he move around in these areas?

Mr. NATSIOS. AID has a set of armored vehicles that we use around the world. We keep them in a warehouse and we move them around wherever we need them. We used them in Bosnia and Kosovo. We used them in East Timor. We are using them here. So we have our own security, which no other, other than the military,

no other group has, and we do use those, particularly the DART team.

But let me just answer the question you asked, Senator. In terms of water and electricity, which are critical functions, this is not a poor society. This is potentially a very wealthy society, given they have water. It is an educated society or was very educated in the 1980s. It has deteriorated since then.

Basically, the infrastructure is there; it simply has not been maintained for 20 years because the money has been put elsewhere. Right now in Iraq, other than Baghdad there is more electrical power and better water than there has been since the mid-1980s. We did this only in two months. When I say "we", I would like to say we did it all ourselves. We did it with the British military, the NGO community, the UN agencies. AID paid for a lot of it and so did DFD, the British aid agency. The civil affairs units have been very helpful and the rest have been very helpful.

But right now in Basra, for example, the second largest city, they have had 24 hours electrical service now for 3 weeks. They have never had that since before the first Gulf war. The water system is in far better shape. Now, is it what it should be? No. But it is far better than it has been since the Gulf war.

So things are actually improving. And I have to give credit also to some of the Iraqis. We went to some cities in the south and the Iraqi engineer said that he would not let us fix the water system: We know how to fix it; we're technically competent; just give us the parts. We brought the parts and we watched them. They fixed the water system within 24 hours.

In villages that had not had water in 10 years, Shia villages, that because they had been in revolt were being punished, they said we physically were not allowed to repair them. They did it themselves with our parts.

Our doctors—I thought the doctors would be underskilled, but one of our very senior medical doctors said: These guys are as skilled as Western European or American doctors. In fact, we do not need even to train them. They are highly skilled technically. Just they have no equipment, the hospitals are in terrible condition for many years except for the Baathist Party members' hospitals, and what we need to do is bring the other hospitals in the Shia and Kurdish areas up to the same standard as Baghdad's hospitals.

Baghdad still has problems with electrical power, but we are now at 70 percent of what we were in terms of electrical levels from before the war, and that is a dramatic increase over 2 weeks ago.

Senator LEAHY. My time is up and I will submit my other questions for the record, but especially a question I want to give a lot of attention to. In the supplemental, of the \$2.4 billion we put in for Iraqi relief and reconstruction, we included assistance to Iraqi civilians who suffered losses as a result of military operations. That is something we can do and please have your staff work with mine about it.

Mr. Chairman, I went way over time. I appreciate your courtesy. Senator MCCONNELL. Thank you, Senator Leahy.

OPENING STATEMENT OF SENATOR MIKE DE WINE

Senator DEWINE. Thank you, Mr. Chairman.

Administrator, thank you very much for being with us. I have two questions. They are obviously related, but they are separate. One is I want to congratulate you and congratulate the administration for putting emphasis once again on agriculture development, very, very important. If you look at where your numbers are in 2002 and 2003, very positive.

I congratulate also this subcommittee—I was not on the subcommittee then, so I can say that, I guess—in the money that was appropriated. Our numbers that you have proposed in 2004 are down just a little bit, but it is still pretty good numbers.

I would like for you to address your vision for agriculture development and where that fits in in our whole overall foreign aid program.

Second, I am concerned about what is the reports and what is going on in Africa in regard to the famine. I am pleased to see that the administration has requested money for the emergency famine fund, but I wonder if this is going to be enough and I wonder if you can tell us where you think we are going there and what the rest of the international community is doing.

Mr. NATSIOS. With respect to agriculture, Senator, I do appreciate your bringing it up because this is one of my and the President's and Secretary Powell's big initiatives. The President has announced this. We announced it, one, at the World Food Summit in June of last year, and the President has made subsequent announcements at the G-8 on agricultural development to end hunger.

We need to understand there is a relationship between economic growth in most of these countries and food insecurity and poverty. Most of the poorest people in the world live in rural areas and they are farmers or herders. If you do not deal with agriculture, you cannot deal with poverty.

Why is it that the Asia giants like Taiwan and South Korea and Thailand have much the best distribution of wealth in the world? Why does Latin America have the worst distribution of wealth in the world? The reason is because of the green revolution in Asia, which AID in the mid-1960—with the World Bank and the Rockefeller Foundation—orchestrated. This effort included improving seed varieties and introducing new technologies in agriculture, and investing in the rural areas. In Latin America, they did not invest in the rural areas and as a result of that there is a gross imbalance between the rural areas in Latin America and the cities, like two different countries. That is not true in Asia.

I just want to also point out that since 1980 we have calculated in the developing world that 50 percent of the improvement in productivity in agriculture is the result of improved seed technology. Our research scientists have produced improved seed that has dramatically revolutionized agriculture in many third world countries.

We believe that investing heavily in these seed technologies can make great progress, not the end to all problems, because you have to connect production to markets—you know, if you grow more food and the prices are wrong, farmers are not going to grow more food in the future. One of the causes of the complex food emergency that we are experiencing in Ethiopia is bad economic policies in the region—restrictions on trade, for example. Farmers grew more food

2 years ago, prices collapsed, they could not sell their food, and as a result many of them were in deep financial trouble because they had borrowed money to buy seed and fertilizer. They said: We are not doing this again; we are going to only grow enough food to survive; we are not growing any surpluses.

That is when we had the crop failures. It was not just because of drought. It was also because of economic policies and lack of free trade in East Africa.

So we believe investing in these technologies can make a huge difference, and we do appreciate the support of the committee between 2002 and 2003. There were constraints on us for 2004, but agriculture is very, very important.

I might also add that there is a perception that it is only the large lumber companies that are destroying the rain forests, the Congo rain forest for example or the Amazon, the big companies. That is not the case. Slash-and-burn agriculture is widely used in the developing world by farmers who have completely exhausted the nutrients in the soil because they have no fertilizer, no improved seeds, and they are so poor they simply burn down more forest to grow food.

It is a direct connection between sustainable agricultural development and sustainable environmental programs. They are connected to each other, and if you get peasants to be more prosperous and their incomes go up and you do the program right, you can do a lot for the protection of environmental diversity in the developing world.

With respect to famine in Africa, we are facing a catastrophic situation in Zimbabwe. That is entirely manmade. It is made by Robert Mugabe, who leads a predatory, tyrannical, and corrupt Government that is wreaking havoc on Zimbabwean society. That is a manmade event. There was a drought, but in fact even with the drought there did not have to be any food insecurity in that country at all because half of the agricultural system was irrigated. It was large farms, it was irrigated, and the irrigation reservoirs were full. But because he confiscated the land and did not have anybody competent to run the farms, the farms did not produce any food. They would have produced food even in a drought because of the irrigation systems.

Now the abuses in Zimbabwe are getting so horrendous that society is beginning to break down, and there is hyperinflation on top of it developing.

The other place we face an emergency is in Ethiopia. The U.S. Government began last September stepping up to the plate to what was a fast onset famine, which normally does not take place. Usually we have advance warning. The Ethiopian Government did not get it and we did not get it and the international agencies did not get it.

Why is that? Because we did not realize to what degree the Ethiopian people were vulnerable from the last drought and famine in 1999. They did not recover from it. They were impoverished by it and as a result they were right on the edge of catastrophe when this latest crop failure took place because of the drought in the eastern part of the country.

We have pledged now 808,000 metric tons of food to Ethiopia. Walter Kansteiner was with Prime Minister Melis yesterday and he said there would be millions dead now but for the intervention of the United States. Fifty-five percent of all the food that went in this calendar year came from the U.S. Government, 55 percent.

I do not want to go into the other donors. The British have been extremely generous. Between the British and the United States, we are leading the response. It is not just food, because in a complex food emergency you also have to immunize the kids because a lot of kids get malnourished and die of measles. Measles epidemics are one of the most severe challenges we face in famines, because when the human body becomes malnourished the immune system breaks down and you die of things like measles that most kids would not die from.

So we have got to do immunization campaigns. Water has deteriorated because of the drought. So there are a set of non-food interventions that we are now undertaking. There is a Disaster Assistance Response Team in the country right now. They will return next week and we will continue to step up the response.

I want to add, Senator, if it were not for you and other Members of the Senate adding funds for food aid into the budget, we would not have the resources we need. I want to thank the Senate for at exactly the right time giving us the resources we need to increase our pledges to Ethiopia. I promised Prime Minister Melis in January when I was there we would not abandon the country and we have not done that. We have been the leaders, and I think there are comments in Europe about this now, about the fact the United States is there and continental Europe is not.

Senator DEWINE. Thank you.

Senator MCCONNELL. Senator Landrieu.

OPENING STATEMENT OF SENATOR MARY L. LANDRIEU

Senator LANDRIEU. Thank you, Mr. Chairman.

Director Natsios, I appreciate the comments. Could you be a little bit more specific about the current status of women both in Afghanistan and Iraq? I understand that this is a particularly difficult and complex situation, but one that, as you can imagine, is crucial to the development of any democracy. You touched on it in your statement, but could you take a moment to just elaborate further on your focus and goals and what progress we are making?

Mr. NATSIOS. With respect to Afghanistan, as you know, the Taliban treated women in a deplorable way. Our goal has been to raise the status of women within Afghan society, though I have to tell you it is not us who are raising. They are raising themselves. We are simply assisting the process. We have funded a series of women-run newspapers in—not Baghdad—in Kabul that connect the professional women of the city together, and we are hoping to extend this to other areas of the country.

The second thing is, the first ministry we rebuilt was the women's ministry. The roof had been blown off the building and we put a new roof on and brought office equipment in so that they could have a functioning ministry. There is a new human rights commission which is led by one of the great women of the country, a doctor, and she asked for our assistance in staffing and we have pro-

vided technical assistance to her commission on the human rights issues in Afghanistan.

The third point I would make is the way in which the status of women can be improved in Afghanistan as well as many other countries is through the education system. We made a deliberate decision early on to invest heavily in educational development. Two-thirds of the teachers in Afghanistan before the Taliban were women. So we began a very aggressive campaign to train teachers, many of whom only were literate. They were the literate people in the village. They were not trained as teachers. Many of them do not have college degrees.

So we trained them in how you organize a lesson plan and how you use the books we printed. We printed books, half in Dari, half in Pashto, the two major languages, for all the major subjects from grades 1 through 12. We have printed already 15 million for the back-to-school campaign last year. They were so successful, the minister of education asked us to make this the permanent curriculum of the country and they have become; and to print another 15 million, and they were printed recently and they are on a ship now and will arrive shortly for school.

There were very few girls in school prior to the Taliban, so what we did was we just allowed kids to go back to school and then found out where the rates of girl returns were the lowest and we have provided a vegetable oil subsidy for families who regularly send their girls to school. We have got the rate up to about a third now. In other words, it is not 50-50, what it should be; it is two-thirds, one-third, but it is better than zero, which is what it was before in many years.

That subsidy of vegetable oil is nutritionally useful. It is fat content for the diet. But it is on top of their regular ration, and in villages that are agricultural people love it. It is very valuable. So we are noticing that this incentive is having the effect of making sure the girls stay in school, which is very useful.

Senator LANDRIEU. I appreciate that. Comment really quickly about Iraq, if you would?

Mr. NATSIOS. Women had a much higher status in Iraq. Iraq is probably the most secularized country in the region. This was an urbanized society. Seventy percent of the people live in cities. It was one of the most sophisticated and educated Arab societies prior to the mid-1980s when the Iraq-Iran War started the downward slide of the country.

It actually had a much higher rate of female literacy. The rate of literacy now has dropped dramatically in the last 15 years for women in high school. There are girls in grammar school, there are not in high school. I do not remember the exact statistics, but I was shocked at how low the high school girl rate of participation was.

Our intention is to have an aggressive campaign. A lot of the money we will be spending will be rebuilding, we expect, rebuilding or reconstructing about 6,000 schools. We have given grants to UNICEF to do the curriculum. There were some concerns we were writing all of the textbooks at AID.

But there is going to be an effort to make sure that there is an equitable distribution of seats in those classrooms for girls, because that is an important part of society. There is a problem in Baghdad

right now because security in some neighborhoods, where parents are not sending their girls because they have been abducted by some of these criminal gangs, and so the rates have gone down in Baghdad. But we are getting them up, we are getting them back up, in the areas that are now secure.

Senator LANDRIEU. Well, I appreciate those comments, because there are a number of us, and not just the women Senators, although we remain very focused on this, who are committed to the idea that one of the great and most substantial long-term development improvements we can make is providing an excellent education both for boys and for girls. We must try to get children and people back into education, and particularly focus on the women as students and teachers. So we appreciate that.

Mr. Chairman, if I could make just one comment, not a question, because my time is out. But Mr. Natsios, please review the work that some of us are doing to establish a permanent trust fund for the oil revenues in Iraq. This is important if we wish to communicate in a very concrete way that Americans, and hopefully our coalition partners, understand that this resource belongs to the people of Iraq. We want to be part of helping establish a framework under which those resources can be used to build this country out of the chaotic situation to a very bright future.

There are many different models, none of which is perfect. Alaska has a good model; Louisiana has a smaller, different, but effective one; Texas has had a model; Kuwait has yet a different model. There are models around the world that could be looked at.

The chairman of this committee has indicated an interest in this and we are working on the exact mechanism, but I would appreciate your consideration of that idea. Any comments briefly you might have?

Mr. NATSIOS. If I could just respond to that, Senator. We share completely your objective and the objective of other Senators on the education front, not just in Afghanistan or Iraq but around the world. In fact, we have increased the education budget, primary education, by 100 percent in the last 2 years with your support. We do appreciate that.

But AID got out of the education business and out of the agriculture business in the 1990s and now that money is beginning to increase for those two areas. We know, for example, that among farmers who are women in Africa that a sixth grade education with no additional inputs will dramatically increase agricultural productivity. So education has a lot of side effects. It also has an effect on child mortality rates, has an effect on lots of things.

So it is very desirable, very desirable that we invest more money, particularly in primary, but also in high school education.

With respect to the trust fund, the person in charge of reconstructing Iraq for the United States is Ambassador Bremer. We are very comfortable having him there because in every country in the world in which we have an AID mission we report to an ambassador and Jerry Bremer was a career officer and head of Kissinger Associates, and he is a very good manager.

He understands AID. One of his division directors is Lew Lucke, our mission director. Another is headed by Peter McPherson, who was the AID Administrator from 1981 to 1987. So Dr. McPherson

knows AID well. He is a former Deputy Secretary of Treasury and one of my best friends in this business, and he is the head of the economics section.

So we have people who are advising——

Senator MCCONNELL. Is he over there now?

Mr. NATSIOS. He is there now.

Senator MCCONNELL. Did he resign as President of Michigan State?

Mr. NATSIOS. He took a leave of absence from Michigan State until September. We are hoping it lasts beyond September because we are so pleased he is there.

But the trust fund is something that we not only endorse, I think there is comment on the idea in the resolution that went through the United Nations on reconstructing Iraq. The Pentagon is in charge of creating that and if they want our help in anything we will certainly give it to them.

But Ambassador Bremer is in charge. We report to him. We are very comfortable with that. We are very happy with the way things are moving in terms of the structure, organizational structure. He is providing a lot of leadership.

Senator LANDRIEU. Thank you.

Senator MCCONNELL. Thank you, Senator Landrieu.

Senator Bond.

#### OPENING STATEMENT OF SENATOR CHRISTOPHER S. BOND

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

Mr. Administrator, I would like to go back to follow the line of questions that Senator DeWine asked. I very much appreciated your comments on agriculture. We have talked about this many times. I believe the old saying that a well-fed person has many problems, but a hungry person has only one.

With all the problems you have got on your plate, hunger is still one that we are very much concerned about, and successful agriculture development. Just to share with you, a couple weeks ago I had in my office a cotton farmer from South Africa, Mr. T.J. Butalesi. He said he had spent 40 years growing cotton with hard work and poverty. He said 3 years ago, despite Earth First and Greenpeace, he planted his new genetically improved cotton seed. He has more than doubled his yield. Instead of spraying pesticides 10 times, he has sprayed 2 times. He said he is now working smart rather than hard. He just built a new brick house and his neighbors think he is the best farmer in the region.

I very much appreciated your coming to St. Louis last year to visit the Danforth Plant Science Center. As I think we discussed, there they are working with Ugandan scientists, the International Institute of Tropical Agrobiolgy and NGO's to develop an exciting new approach to block out the Africa cassava mosaic virus which is wiping out cassava crops, a staple in most African diet.

I believe that you are working field trials with this. How is that project going? What outcome do you expect to have from it?

Mr. NATSIOS. I agree with everything you said, Senator. I want to tell you, one of the highlights of my domestic trips was the trip to the Danforth Center. It was quite an extraordinary place and we are very pleased it exists and they can be partners with us.

During the Johannesburg Summit, where this whole issue of GMO grain came up for the first time, I had dinner with the top GMO scientists in the universities of South Africa. These are South African scientists now, developing seed for South Africa and African farmers. It was extraordinary.

One of the women scientists was telling me they are developing a new seed variety using genetic material that does not require almost any water. They grow almost in rock or desert conditions. They are going to put that into corn and it could deal with one of the recurring problems we have in Africa, which is drought.

I said: I want to know as soon as you have research in from the trials on it whether this is going to be the success that you think. She was so excited about it. She has been sending me some of the material on it. We are helping to support that research through the suggestions you have made in the budget, which we strongly support continuing.

So they have extended this GMO material to white corn—white maize—which we do not grow much of in the United States, but which is a staple crop in South Africa. In some areas the farmers have gone from \$1,000 per capita income to \$10,000 because of these improved varieties. It is not just in cotton; it is also in maize that this is developing. It is quite extraordinary.

Senator BOND. I very much appreciate the strong stand you have taken in promoting improved food and agriculture through the use of modern biotechnology, and I believe that the President has stated very forcefully his policy. I thought you might—I would like to get an update. I heard you were rather clear in your warnings to certain African officials who were allowing Eurosclerosis, the European Luddites, to prevent the use of the fine genetically improved food that all of us here eat every day. They were refusing to feed that to the hungry people in their country.

I think you made—did you make some fairly clear warnings to them? What is happening with that? How are we doing with the Eurosclerosis?

Mr. NATSIOS. I will try to be a diplomat here, Senator. You have a little bit more freedom than I do to characterize things clearly.

People were shocked when I said, the President eats and all of us eat our cereal in the morning and it is GMO and it has been for 7 years, especially if you eat Corn Flakes. And they looked at me, and I said: My children eat it, and there has not been one lawsuit in the United States, and we are a very litigious society, over anything, any health risks from GMO corn in the United States.

It really is outrageous what has happened. I am so disturbed after 7 years, 7 years of distributing this food aid in countries around the world, that the groups that cause the trouble, these groups that you mentioned earlier as well as others, did it in the middle of a drought that was turning into a famine, in the middle of the Johannesburg Summit. They deliberately chose the middle of a food emergency to do it. I mean, 7 years we have been distributing it and no one said anything. And I mean, it was not exactly a secret that we have been using GMO as a central part of our agriculture for years.

This is a trade issue. It is not a scientific issue. It is not an environmental issue. In fact, it is damaging the environment not to

allow this technology to deal with these environmental problems in the developing world. Most countries in Africa cannot afford all these expensive inputs. This is one way of them dealing with pesticides, herbicides, and fertilizers that they cannot afford. This is why they cannot get their productivity up, but they can through improved varieties and through scientific research of the kind that we have been investing in.

It is the potential. It is not going to solve all the problems because, once again, you got to connect farmers to markets, you have got to train people. There are other things you have to do. But scientific research and technology is the answer to part of our problem in agriculture in the developing world. I believe genetic research, GMO research, can be one of the great boons to agricultural development and to the alleviation of poverty in the developing world, particularly in Central Asia and in Africa, where the greatest poverty is in the rural areas.

Senator BOND. Thank you very much, Mr. Administrator. That is excellent.

I would just conclude, Mr. Chairman, by saying I thought somebody from the U.S. Government warned leaders in the African country if they refuse to feed their people the kind of food that we eat every day because it is genetically modified that they would haul them up before the World Court on genocide charges. I do not know who that was.

Mr. NATSIOS. Well, I do not repeat some things I say.

Senator BOND. I do not remember who that was, but I thought that was a nice subtle touch.

Senator MCCONNELL. It was indeed.

Senator Burns, top that.

#### OPENING STATEMENT OF SENATOR CONRAD BURNS

Senator BURNS. That is pretty easy.

Thank you very much, Mr. Chairman. Director, thank you for coming today.

I want to not follow up on what Senator Bond said because in Montana we have some of the foremost plant breeders and livestock growers that can increase gene pools around the world. I have a young man coming from Georgia, the Republic of Georgia, to the United States this spring. In fact, he will be in to see me not too long from now. We are talking about increased agricultural production in Georgia, which they have every right to expect that country to produce. He is the minister of agriculture and he is very forward-looking, but he is running into some of the same problems that we ran into down in Africa.

But I want to ask you about another subject. In the rebuilding of the infrastructure in Iraq, there are a couple of things, and you hit upon one: how surprised they were about the Internet. We know right now there are only about three phones per every 100 citizens in Iraq. There is no wireless system, and for all those systems and the infrastructure—there are very few computers, of course.

We know that the infrastructure was formerly mostly controlled by the military and the Government in power. The Government

controlled it and then whenever we took out their communications systems we also took out the core of the civilian systems also.

Right now about two-thirds of the 800,000 lines for the hard-wired infrastructure are there in working order. They only can talk to people in their local exchanges. There are hardly any long distance calls at all that are not wireless.

So I am of the understanding that we cannot be very successful in what we want to do over there unless we have got a very, very strong communications system. That is part of the building blocks, no matter what we do in agriculture. We know that Iraqis have the ability to feed themselves. I mean, they have some very good land. They have two great rivers that can provide irrigation and they also have a soil base that is probably as good as any in the Middle East. It is a lot better than you'll find in Jordan and would compare to the strongest of the Middle East countries. We know something of their production.

I just want to make a point here to you, although I will be talking to the people who are in charge. Once we start building wireless systems and that need is probably immediate—the systems should be interoperable; the systems should be the newest of wireless technology that offers broadband access to the world Internet. I feel there has not been a priority set on the communications system in Iraq. In other words we not only want to talk within Baghdad, but we want long distance from the green line to Basra.

I would ask you to remind those that you help when they come to you to request aid, that we take a good, strong look at what we are building, at how fast we are building it, and at the importance of the communications system. That will be the overriding infrastructure other than ground transportation, which is pretty well taken care of. We were pretty careful about that.

But I really believe, Mr. Director, and this is most important, there is no sense starting with an old technology. We are trying to get away from them towards something that we could apply that would give us high-speed and move a lot of information very, very quickly.

As you have looked at that country, do you have any thoughts on what is there and where we should be going?

Mr. NATSIOS. Senator, this is a very important question because communications is a serious problem in Iraq right now for us and for the NGO community, our contractors, U.N. agencies, and for the ministries themselves. Many of them cannot call the cities from the central ministries in Baghdad. We are looking at the issue and we will be putting together a set of recommendations very shortly which I think you will be pleased with. I do not have anything to announce yet because we are still researching the issue.

There is a provision within the Bechtel contract that was written when we wrote it in January—it was not the Bechtel contract; it was the work, the RFP that was bid—that calls for reconstruction of the existing infrastructure. So there are two questions here. One is the land lines, many of which are down and need to be repaired. Bechtel will be doing that. That is in their contract. There is money aside for doing it and they have been ordered to do it. So that is already part of the plan.

The question is on the wireless part of this and that can also be covered in the Bechtel contract. I am not sure that is how we are going to do it. We have not looked through that entirely at this point. But it is clear there is an issue. It has been brought to our attention and we will be acting on it, and we will get back to you about the details of that.

Senator BURNS. I would certainly appreciate that. They have hardly any fiber at all that carries their long distance wired lines or trunks, even in the urban areas. So that is one of my things. It applies not only to the way we do agriculture, but it also does what you want to do. In addition, it plays a huge role in education, for schools in remote areas, especially in the use of wireless technologies for distance learning.

We have the technology to move fairly rapidly in the rebuilding of our education infrastructure, which is what we are going to do. So I appreciate your answer on that. I appreciate your concern. I look forward to visiting with you on some of those systems, because I take a very strong interest in that. We come from a remote State, so we know how large a role that communications plays in the economic development of our States.

I thank the chairman. I do not serve on this particular Appropriations subcommittee, but he did tell me that I could make this little statement and I appreciate that very much.

Senator MCCONNELL. Glad to have you here, Senator Burns.

Let me just mention, this hearing is going to end no later than 3:30. It may end sooner, but we will leave the record open for whatever questions any members want to add.

Let me take another round here, Mr. Natsios. Shifting to the place the President just left—the Middle East—and the road map between the Palestinians and the Israelis, how will USAID be utilized to support the road map? What has USAID been able to do there in the past, and how you are able to implement and monitor programs, particularly on the Palestinian side, to ensure that funds do not end up in the hands of those who are engaged in homicide bombings?

Mr. NATSIOS. Thank you, Senator. We of course have a heavy presence in the West Bank and Gaza, but since the second intifada began we have altered our program and much of it now is humanitarian assistance because we simply cannot continue under these circumstances some of the programs, although I have to tell you an interesting story. Two days before I was sworn in as Administrator, I met the foreign minister of Israel at a reception, Mr. Peres, in Washington. The first thing he said before I could introduce myself was: I know you are Andrew Natsios, you are about to be sworn in as the Administrator; do not touch the water programs, please. I said: Yes, sir.

I met him later at a dinner in the evening. He said exactly the same thing. He said: I know I said this to you once before. Let me say it to you again: Do not touch the water programs. I said: Yes, sir.

There is common interest in some things that cut across the conflict and the acrimony and water is one of them because it is so scarce. The water programs AID was running are these huge water purification plants that will rationalize the water system in the

West Bank and Gaza. But, of course, they all get their water from the same place Israel does, which is the underground aquifers or from desalinization plants, which we are also constructing I think one of in Gaza.

So to the extent that we have been allowed by the violence, we have continued these important programs. We do not go through the PA for any of the work we do. We do not transfer any money. The one thing we are doing now—

Senator MCCONNELL. It is 100 percent NGO, right?

Mr. NATSIOS. That is correct.

There is one project we are working on now, and this was at the request of both the Israeli and the Palestinian Authority, and that involves providing the PA finance ministry with modern systems of accounting and accountability and auditing to ensure in the future that they have the skill set to monitor how money is spent by some of the ministries. We have a major international accounting firm that is providing this training, and it is connected to the whole question of revenues being collected by the PA and by the Israeli Government.

So there was an agreement struck and AID is playing a role in making—in implementing one of the few agreements that was made prior to this past week. It was at a mundane level, but both sides agreed to it, we were asked to do it, we have done it, and it is working, I am told, quite well. It is capacity building. There is no money changing hands in terms of being moved, but there is a training program, a capacity building program, which we believe will be very useful over the longer term.

We are looking to the future and we have been asked to begin gearing up for changes that will will unfold due to advances in the peace process. We believe that the President has begun a process that is going to be a success and AID needs to be ready as soon as an agreement is reached to give legs to the peace accords from our perspective.

We have a limited role in this, but we do have a role, and we have to act quickly because the longer you wait the more risk there is in terms of the peace settlement coming undone. This happens in conflicts all over the world, where if we do not act quickly following a peace settlement things deteriorate.

Senator MCCONNELL. So you are not expected to be asked to do anything different; just more of the same and quicker?

Mr. NATSIOS. Well, we may be asked. There may be things in the peace accord, Senator, that are different than they have been in the past. So I do not want to presume what we will be doing because it may be that they actually negotiate some of these things.

Senator MCCONNELL. Senator DeWine.

Mr. NATSIOS. I just want to say, I work for Colin Powell. I go to the morning meeting every morning at 8:30, and this is an issue of intense interest to him, Rich Armitage, my good friend, and Secretary Grossman. And we do what they ask us to, enthusiastically and energetically, and we will continue to do that.

Senator MCCONNELL. Well, I have a number of other questions about various parts of the world, but I am going to restrain myself. Let me end by telling you I ran into a young friend of mine in the airport in Louisville on the way back to Washington last Sunday.

He was on his way to Bosnia. He works for the World Bank, and he was extremely complimentary of your efforts, the efforts of your agency in Bosnia. He was extremely complimentary of the USAID effort and I thought that I would pass that along to you because you probably do not hear as many compliments as you do criticisms from Members of Congress.

Mr. NATSIOS. Senator, if you could get me his name so I can take him out to dinner next time I visit Bosnia, I would appreciate it.

Senator MCCONNELL. I will do that.

We thank you very much for being here today and we will look forward to drafting your budget for next year.

Mr. NATSIOS. Thank you, Senator, for your support. We do appreciate it.

#### ADDITIONAL COMMITTEE QUESTIONS

Senator MCCONNELL. 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

##### OTHER DONORS IN AFGHANISTAN

*Question.* Have contributions from other donors kept pace with needs? What have Middle Eastern countries provided?

*Answer.* Like the United States, a number of donors have disbursed more than they pledged, including the United Kingdom, Japan, the Netherlands, Denmark and Australia.

Contributions from the Middle East have been less generous and slower in disbursement.

##### ACCOUNTABILITY OF ASSISTANCE IN AFGHANISTAN

*Question.* How is USAID ensuring that assistance to Afghanistan is being used for the purposes intended? Are regular audits conducted?

*Answer.* Given the security strictures in place for U.S. Government employees in Afghanistan, it is challenging for USAID staff to directly monitor all of our programming.

In order to address this constraint, USAID has a Field Program Manager, whose job it is to travel around the country with the U.S. military for project monitoring and oversight.

USAID has also placed Field Program Officers in each Provincial Reconstruction Team (PRT) to help with this critical function. On the Kabul-Kandahar-Herat highway project, USAID has requested a concurrent audit by our Inspector General.

In addition, our Inspector General (IG) is also monitoring USAID's economic governance contract.

##### ELECTIONS IN AFGHANISTAN

*Question.* How can the international community ensure that the elections are credible and reflect the will of the people—is more time needed to prepare?

*Answer.* Successful implementation of the Bonn Agreement, including the June 2004 elections, is a high priority for the USG.

We are working closely with the United Nations and other donors to ensure that adequate funding is made available on a timely basis for the elections process. Voter education and registration are immediate priorities.

We are encouraging the establishment of an independent Afghan electoral management body, the approval of an electoral law (through the constitution or interim measures), and either a political party law or regulations that permit an enabling environment for political parties or movements to form, organize and participate in the election.

The USG is providing technical support for elections processes, aiding the development of democratic political parties and coalitions of reform-minded political parties and movements, as well assisting civic/voter education.

*Question.* What is the international community doing to ensure a stable and secure environment for the proposed polls?

Answer. Security is a serious concern for all activities related to the elections process.

We are working with the Afghans, the United Nations and other donors to determine how best to address security concerns leading up to and immediately following elections.

#### WOMEN'S POLITICAL PARTICIPATION IN AFGHANISTAN

*Question.* What programs is USAID supporting to increase political participation of women?

Answer. SAID believes the Afghan Ministry of Women's Affairs (MOWA) provides a voice within the government to advocate for increased political participation for women in Afghanistan and, accordingly, has provided support for MOWA. USAID has also assisted NGOs working to increase women's political participation.

*Ministry of Women's Affairs.*—This was the first Afghan Ministry to receive USAID assistance. USAID assisted in the physical rehabilitation of the Ministry of Women's Affairs (the auditorium and 11 offices) and provided the Minister with a vehicle, office furniture and supplies, two computers and a satellite phone. USAID's Gender Advisor provided extensive assistance in helping the Ministry develop its first National Development Budget recently. (Total activity funding: \$178,718)

The NGO, Afghan Women's Network, is providing returnees with job skills, including managerial training, and training women to participate in the political process. (Total activity funding: \$27,352)

The NGO, AINA, provided support to Afghan women filmmakers to make a film on the experience of the Afghan woman during the Taliban period and their hopes for the future. (Total activity funding: \$97,110)

USAID is supporting the Constitutional, Human Rights and Judicial Commissions to ensure that women's concerns are taken into account.

USAID is supporting a number of programs oriented at civil society groups which will work to include women as well as minority groups into the political process. In addition, there will be targeted NGO-implemented programs working out of the women's centers which will direct attention to this issue. USAID also supports to the Human Rights Commission.

USAID, through the International Foundation for Election Systems (IFES), is advising the Afghan Government and the United Nations on needs for women's registration and voting.

USAID, and its partners, the International Republican Institute (IRI) and National Democratic Institute (NDI), are ensuring that women are recipients of education in the voter education process and encouraging women to join political parties and movements, and for parties and movements to include women.

#### IRAQ RECONSTRUCTION

*Question.* How do the ground realities in Iraq today differ from your pre-conflict expectations and how does this impact budgeting—for example, do fewer bridges need repair than originally anticipated?

Answer. War damage was less severe than anticipated, while the extent of looting immediately post-conflict and the dilapidation of existing infrastructure has been extensive. With respect to infrastructure reconstruction, USAID, with guidance from the Coalition Provisional Authority, has been prioritizing emergency communications repair, power/electricity, and water and sanitation facilities.

*Question.* Are press reports on the slow pace of reconstruction accurate? In addition to the security situation, what are the major obstacles for reconstruction?

Answer. While the security situation poses challenges for reconstruction efforts, the pace of USAID reconstruction activity is consistent with and in some cases ahead of the pre-planning estimates submitted to Congress in the April supplemental request. A fundamental objective of all USAID support is to ensure Iraqi ownership of the process and sustainability of efforts, but there is a fear among Iraqis that Ba'athist elements could target them in retribution for their reconstruction work.

*Question.* Are Ba'athist loyalists or Shi'a religious leaders actively undermining reconstruction activities?

Answer. This question is most appropriately addressed to the Department of Defense. However, USAID has productively-worked with Shi'a religious leaders in delivery of essential services in the southern regions and Baghdad.

*Question.* What is your assessment of USAID's democracy and governance programs in Egypt?

*Answer.* The current democracy/governance (DG) program consists of three activities: (1) the NGO service Center, which strengthens civil society by providing direct grants, training and technical assistance to NGOs aimed at improving their internal governance, financial accountability, and advocacy skills; (2) the Administration of Justice (AOJ) project, which modernizes commercial court administration and expedites case processing through computerization, re-engineering, and training of judges; and (3) the Collaboration for Community Services project which, through locally or appointed entities in four pilot communities, improves the delivery of public services.

Proposed new components include: (1) Promote the Rule of Law through civil and criminal court reform and human rights activities such as revitalization of the legal education in Egypt, English as a second language training and support for NGOs that provide legal services to poor and disadvantaged citizens; (2) Promote Reform of the Egyptian Media by sending 50 journalists to the United States for training; (3) Support to the Embassy's Public Affairs Section to put on study tours to the United States and region to foster an enabling environment for economic, education and social reforms; (4) Support the Creation of an Independent Egyptian Council on Human Rights to ensure the adherence to human rights by receiving and investigating complaints and acting as a mediator, commenting on legislation involving human rights and ensuring that Egypt adheres to international human rights agreements; (5) Support the Egyptian Branch of Transparency International to combat government and corporate corruption by organizing citizen "watchdog" groups and, GOE cooperation permitting, assisting the GOE in establishing a government-wide code of ethics; and (6) Support Parliamentary 2005 Elections if GOE concurrence can be had.

*Question.* Can you point to any specific achievements of these programs?

*Answer.* AOJ successes include: Case processing time has been reduced from years to months; public confidence in the judiciary is increased; the Ministry of Justice has demonstrated its commitment to judicial reform through its massive investments (\$50 million) for upgrading courts and providing judicial training; and building constituencies among judges, lawyers and court staff to support judicial reform.

NGO Service Center successes include the promotion of political and legal rights for women in Qena governorate where a local NGO received a grant to assist 2,000 women obtain civil documents, and 1,200 women to obtain electoral registration cards and access social insurance benefits. More women have since petitioned local party official to nominate increased numbers of women for positions on local councils and to form a committee to promote women's awareness of their legal rights to obtain available services from government agencies. Another example: The village of Tablouha had long-suffered from poor environmental conditions and disease due to lack of systems for solid waste and garbage disposal. With USAID project assistance, a local NGO organized a public hearing attended by 700 residents to discuss these needs. The hearing resulted in two important decisions for the community: to use both the Village Council's and an agricultural cooperative's clean-up equipment to collect garbage and solid waste and to collect a monthly fee from 550 local inhabitants to ensure sustainability of the service. The fees have been used to purchase and plant over 1,000 trees in the area.

CCLS: Two industrial communities that contribute significantly to Egypt's exports have improved their community level services. An employment services office and websites to promote the communities and their industries have been created there. The city of Dumyat is a major manufacturer and exporter of furniture. Manufacturers and small workshops have expanded their market to the United States and Europe by collaborating amongst themselves and with government to gain access to services that will help them be more competitive by improving marketing, designs, and quality control.

*Question.* What action is USAID undertaking to ensure that its programs are not unduly influenced by the Egyptian Government?

*Answer.* USAID maintains dialogue with the GOE concerning democracy and governance emphasizing: (1) USG commitment to significantly expand funding in this area; (2) general themes around which we propose to focus programming; (3) illustrative examples of the types of programs we propose in each area; and (4) the need to rethink funding mechanisms to reflect the changing nature of our assistance in this area. The USG is also committed to reach more Egyptians at the grassroots level and to implementing more activities through NGOs.

A U.S. inter-agency group agreed that USG projects should parallel directly our policy approach to the GOE. For example, we should fund projects that are consistent with the need to open political space for new parties. The inter-agency group also agreed that the Embassy/USAID should lay out the following themes and related indicative projects with the GOE as primary areas of emphasis in democracy and governance in Egypt: political openness; media and exposure to outside views; civil society; and rule of law and governance.

## BURMA

*Question.* How closely is USAID—and its contractor—coordinating HIV/AIDS programs with Suu Kyi?

*Answer.* USAID's HIV/AIDS program was designed in close coordination with the U.S. Embassy in Rangoon. When the program was designed USAID met with representatives of the National League for Democracy (NLD) and other democratic opposition groups. Comments and suggestions from the groups were incorporated into the program design. The representative visited one of the project sites and liked the work that was being implemented. USAID continues to work closely with the U.S. Embassy and to seek NLD guidance on the program.

*Question.* Given Burma's repressive environment, how does USAID ensure oversight of the use of funds inside Burma?

*Answer.* USAID-managed programs inside Burma are currently limited to: (1) activities that enhance the ability of the American Center in Rangoon, within the U.S. Embassy, to reach out and provide some training and materials on democracy and human rights issues to members of Burmese democratic organizations; and (2) HIV/AIDS prevention and treatment. Activities to reach out to democratic opposition groups are carried out under the supervision of the U.S. Public Affairs Office in the Embassy. HIV/AIDS activities are implemented by organizations with whom USAID has worked for many years. These organizations have developed, and discussed with USAID, monitoring plans that ensure adequate oversight of their programs. In addition, USAID has made periodic site visits to monitor program activities. USAID has recently opened a Regional Development Mission in Bangkok to better manage and oversee activities in the region.

*Question.* As the generals in Rangoon do not let foreign NGO workers travel unaccompanied throughout the country, how do these NGOs ensure oversight of their programs?

*Answer.* USAID's experience from site visits to HIV/AIDS programs inside Burma has been that in many areas NGO's have relative freedom of movement and are not subject to government interference in their programs. USAID-funded NGO's have consistently reported that they are able to work with relative ease in many areas of Burma. Conditions vary greatly within Burma, and NGO's with whom we work choose areas where adequate program oversight is possible.

## CAMBODIA

*Question.* With parliamentary elections scheduled for July 2003, how confident are you that the elections will be free and fair?

*Answer.* We feel that this will be difficult to judge at the present moment. While we are confident that the Cambodian people would really like to have a free and fair election it is really too early for them to tell at this point—and thus it is difficult for us to know as well. The elections will be determined to be free and fair IF the Cambodians feel that the process was valid and that the results indicate what was actually voted. In truth, this will not be determined until several days after the polls close—we therefore hope Washington is wary of any reports immediately after the election.

*Question.* Would USAID support increased assistance to Cambodia if the repressive Cambodian People's Party (CPP) was no longer the ruling party?

*Answer.* We would welcome increased assistance as Cambodia has enormous needs and the Cambodian people could benefit greatly from increased assistance in areas such as education, health, democratic development, economic growth and employment, environment, and anti-trafficking in persons.

## SECURITY AND ELECTIONS IN CAMBODIA

*Question.* Cambodia is a case study of the long term development challenges that arise when substandard elections are held after years of turmoil. How do you assess the current security environment in Afghanistan, and how might security impact the 2004 elections?

*Answer.* Election security is a serious concern that could impede the conduct of free and fair elections.

If not adequately addressed, regional populations may be inhibited from organizing into parties or movements, campaigning, attempting to register and voting their conscience. We are working with the Afghans, the United Nations and other donors to determine how best to address security issues.

INDONESIA

*Question.* What specific programs are being supported to counter extremist influence throughout the country?

*Answer.* USAID's support for moderate groups long predates 9/11; USAID programs have provided support to moderate groups responding to emerging social issues, voter education including the 1999 election process, and women Muslim groups. Since 9/11, USAID programs to counter extremism in Indonesia have expanded and include work on promoting religious tolerance through the Islam and Civil Society Program, on strengthening local government management of education so that public schools can become better alternatives to private religious-based schools, and on helping Indonesia to establish a legal and policy environment that disrupts material support for terrorists. The three current programs USAID supports are:

*1. Islam and Civil Society Program (ICS)*

Implementer: The Asia Foundation (with 30 Muslim Partner Organizations)

Timeframe: 1997 to 2004

Funding to date: \$4,900,000

- The ICS supports the efforts of 30 moderate Muslim organizations to directly counter religious extremism and promote democratization through Islamic teachings and texts in four main areas: gender, media, education policy and political parties.
- Moderate Muslim groups supported by this program have played an increasingly public and vocal role in calling for tolerance and peace during critical periods of time such as the recent military action in Iraq.
- Education programs are based upon the premise that Islamic militancy thrives on lack of knowledge and understanding of how Islamic principles support democracy, tolerance, gender equality, pluralism, and rule of law. Education on these principles and on tenets of secular democracy and civil society is an effective tool in preventing/countering militancy.
- ICS education programs work through two main channels—formal institutions of higher education, and informal programs conducted in pesantren (Islamic boarding schools) or campus groups. ICS-supported media programs are directly aimed at countering visibility of militant Islam within the public media.

Program examples and results include:

- New civic education curricula focused on the rule of law, citizen rights and gender equality are now being implemented in 47 affiliates of the Islamic National University, Jakarta and in six University of Muhammadiyah, Yogyakarta universities (to be expanded to all 35 in September 2003). 40,000 students a year take this required course.
- The Institute for Research and Pesantren Development, Makassar has developed a civic education curriculum and textbook countering rigid Islamic doctrines that marginalize women and restrict religious pluralism, to be piloted in 24 pesantren in South Sulawesi, then integrated into all 2,000 affiliated pesantren in South Sulawesi.
- Islam Liberal Network, Jakarta explicitly aims to counter militant and radical Islamic movements in Indonesia. They produce a weekly radio talk show on pluralism and tolerance that reaches 10 million listeners through a network of 40 radio stations nation-wide, and publish a weekly half-page column in the daily newspaper Jawa Pos and 35 syndicated affiliates, reaching 2 million readers with messages of anti-violence, pluralism and religious tolerance. They also maintain a bi-lingual website that actively campaigns against militancy.
- Islamic Education Laboratory, Yogyakarta, a university student group, facilitates routine campus discussions on “Islam and pluralism” and civil society building projects among campus groups on six prominent universities in Central and East Java, bringing its message of pluralism and tolerance within Islam directly to target hardline student populations.
- Study-Action Group on Indonesian Democracy/Institute for Human Resources Development, Jakarta—these two organizations both work directly with khotib (Mosque preachers) and mosque youth groups to promote messages of pluralism and tolerance. One produces a bulletin handed out by mosque youth groups to worshippers after Friday prayers. The other trains Khotib, who preach at the

Friday prayers, and provides them with a “preachers’ handbook” of “sermons” on rule of law, civil society, and religious tolerance.

- Paramadina University, Jakarta, has created a handbook entitled “Islamic Jurisprudence on Pluralism” for Muslim leaders that references classical and modern Islamic texts and jurisprudence that support pluralism, religious tolerance, and gender equality.
- Institute for Advocacy and Education of Citizens, Makassar, a grassroots student group, broadcasts an hour-long interactive talk show on five radio stations with a listenership of 1.2 million people in South Sulawesi.
- Syr’ah, Jakarta is a monthly magazine explicitly designed to counter the top-selling Islamic militant magazine Sabili. Syr’ah has the same size, format, cover design, and distribution pattern as Sabili—but a different content. Instead of promoting violence and radicalism, it preaches tolerance, anti-violence, gender equality, and religious pluralism.

## 2. *Economic Law, Institutional and Professional Strengthening (ELIPS) II Program*

Implementer: Nathan-MSI Group

Timeframe: 2001 to 2004

Funding to date: \$8,400,000

The ELIPS II provides institutional-building support to strengthen independent regulatory commissions, the Ministry of Justice, law schools and professional associations, and to provide technical assistance in drafting, promoting, passing, understanding, and implementing laws, decrees, administrative orders and decisions related to financial crimes. Key results to date:

- ELIPS II assisted the GOI in drafting and passing the new Anti-Money Laundering Law enacted in late 2002. Follow-up work includes drafting of implementing regulations and key amendments related to FATF compliance. Additional work is assisting the newly formed Financial Intelligence Unit and addressing cyber crimes. These activities are complemented technical assistance being provided through the Financial Services Volunteer Corps focusing on exposure to the U.S. anti-money laundering system.
- ELIPS II also provided extensive input to the draft Anti-Terrorism law including co-sponsoring a major conference on the Economic Impact of Terrorism.
- ELIPS II has completed a study and plan for initiatives in financial crimes and completed needs assessments for financial crime unit at the Attorney General’s office.

## 3. *Managing Basic Education*

Implementer: Research Triangle Institute

Timeframe: 2003–2005

Budget to date: \$3,000,000

This program aims to improve the efficiency and effectiveness of local government on strategic planning, administrative management, finance and budgeting to provide better quality basic education services in the context of decentralization, and helping to make public schools more viable alternatives to religious based private schools. In addition, the program strives to increase community involvement in local government decision-making on education. The program will work with 9 local governments on a pilot basis.

*Question.* How can education programs effectively counter the influence of Muslim extremist schools in Indonesia, given the country’s vast geography and USAID’s relatively limited resources?

Answer. A majority of Indonesian public and private schools are considered moderate and do not fall in the category of extremist or radical extremist schools. Indonesia is a very large country with many ethnic and cultural groups. To effectively counter the influence of Muslim extremist schools across Indonesia, a multi-faced approach needs to be pursued to address extremism, which includes building on our decentralized local government program and broadening local government’s capacity and capability to increase community and local government decision-making on education. Also, the number of extremist schools which do not offer the national approved curriculum incorporating secular subjects should be encouraged to do so. Other elements within the multi-faced approach are described below.

- Better understanding of Indonesia’s educational system which includes better monitoring of the education sector by government, community groups, and NGOs concerning curriculum, text books, and quality that builds on the strengths and ideals of indigenous groups; greater involvement of parents and community leaders in local school programs, textbooks, and administration; teacher training and adequate incentives and rewards for teachers; exchange programs which broaden teacher and students views and their understanding

of different cultures and value systems which respect universal human values of dignity, compassion, and tolerance; and strengthening civic education in public and religious schools.

- Promoting Tolerance and Compassion.*—Combating terrorism and the extremist ideas that fuel it is especially difficult because of an education system that fails to include liberal democratic values and religious tolerance in public and religious schools. While not a silver bullet, improving the Indonesian education system is a critical tool for advancing the war against terrorism in the long-term and serves as an avenue for helping reduce the potential sway of radical fundamentalism and intolerance.
- In a tough economic situation, Indonesian families are turning to low-cost, but not necessarily better quality, educational alternatives such as Islamic madrasahs and pesantren. Most teach the national secular curriculum, but some focus only on religious studies, sometimes with fundamentalist and anti-American themes sympathetic to terrorists. Expanding economic opportunities for at risk-groups is critical to broadening their access to quality public and moderate religious schools.
- Expanding students access to alternative views.*—The appeal of extremism can be reduced by expanding the access of Muslim students to democratic systems and values, and alternative worldviews. The key mechanisms for assuring access to more diverse and balanced points of view are increased enrollment and retention of students in higher quality government-managed public schools, and support to moderate religious schools, focusing on civic education and promotion of democratic values. By making public schools a more effective, accessible and viable alternative to religious schools, we can reduce the exposure of Indonesian students to extremist views.
- Strengthening the Quality of Secular Education Provided in Muslim Schools.* The quality and relevance of secular education in Muslim schools is often poor. In most cases, the quality problems are even more acute than those found in public schools because Islamic school teachers are usually not academically equipped to teach secular subjects. To help create a more favorable learning environment in classrooms, teachers should be introduced to “modern” pedagogical methods that are participatory and student-centered. Also, the curricula should promote activity-based learning, including apprenticeships and on-the-job-training to better facilitate the absorption of Islamic school students into the job market once they complete school.
- Engaging Islamic School Leaders to Participate in Providing Education to all Learners.* Local government and community leaders should be encouraged to take a more proactive and positive approach to becoming more engaged with public and moderate Muslim school leaders to discuss how they can better cooperate and work together to reach all learners and broaden the process for a shared vision of quality and relevant education for all and guard against the proliferation of extremist elements in Muslim schools.

#### PAKISTAN

*Question.* The North West Frontier Province in Pakistan recently implemented sharia—Islamic—law. The Taliban provided a vivid insight into the repression of freedom that occurs under sharia.

What programs is USAID conducting in this province, and what programs can we conduct to protect and enhance the rights of women and freedom of speech and thought?

*Answer.* USAID’s programs are helping improve the quality of life for Pakistani girls and women, through greater education, health care and economic opportunities. In our Democracy and Governance program we have a legislative orientation activity that has provided training to new legislators of which 30 percent are women. In the Federally-Administered Tribal Areas (FATA) bordering Afghanistan, USAID supports 120 schools where we plan to repair and provide desks, chairs, and blackboards. When parents believe girls are receiving quality education, they are much more likely to allow girls to remain in school. Additionally, in our Education program we are engaged in early education teacher training which includes women teachers. This helps to reduce the disparity between professional development for women and men. The program also helps teachers and administrators build stronger and more balanced curricula, addressing the needs of both boy and girl students. In our Economic Growth program, we are designing micro credit activities that specifically target women-owned and run businesses in some of the most impoverished regions of the country. In addition economic growth activities include a merit-based scholarship fund for needy students, especially women who would not otherwise

have access to higher education, to attend established business schools. Finally, the Mission's Health program is designed to improve the overall quality of healthcare and to specifically address the needs of women.

*Question.* What steps are we taking to ensure the financial integrity of assistance provided to Pakistan?

Answer. USAID's Controller, a U.S. Foreign Service Officer, arrived at post in December 2002. He leads the USAID team to monitor the program for financial and programmatic integrity. In addition to these regular monitoring plans, USAID sent out a request for proposal from seven accredited Pakistani firms to undertake the following: (a) Financial pre-award surveys and periodic financial reviews of NGOs and other partners; and (b) Performance monitoring of the program in each province to measure the progress and maintain a check on the implementation of USAID's programs in the field. The Office of Inspector General (OIG) of USAID in Manila has determined that each of the seven Pakistani firms meets rigid U.S. standards for auditing and monitoring programs. In addition, later this year the OIG in Manila is planning a training session in USG accounting/auditing standards for all accounting firms including cognizant personnel from recipients and the Auditor General's Office of Pakistan.

*Question.* How many Afghan refugees remain in Pakistan?

Answer. While the drought has ended and many Afghans have returned to Afghanistan, some 235,000 refugees continue to reside in sixteen Pakistani camps. The camps are located in remote and harsh frontier areas where the refugees have little access to food and sources of income. Food assistance is crucial to their survival. The U.S. Government, through Public Law 480, Title II, will provide 2,070 MT of commodities in fiscal year 2003 to meet the needs of 235,000 refugees. U.S. assistance consists of 970 MT of vegetable oil and 1,100 MT of lentils. The estimated cost of the U.S. contribution is \$2,036,200 including the cost of commodity, ocean freight, and internal transport, storage and handling.

#### ENVIRONMENTAL HEALTH IN ASIA

*Question.* While SARS has captured the attention of the world's media, there are other serious health issues in southwestern China, and Tibet, where millions suffer from environmental health problems related to heavy metals in domestically used coal and severe water quality problems. These include arsenic and mercury poisoning and fluorosis. The region is characterized by a karst topography, which is exceedingly vulnerable to groundwater contamination. These environmental health problems particularly strike children, condemning them to lives of chronic disease. This in turn affects the economic growth and vitality of the region.

There are relatively simple, cost-effective solutions to these problems. Western Kentucky University, in concert with other institutions, has established a consortium of geoscience, biomedical and public health researchers from the United States and China. By studying and implementing solutions to these environmental health problems, the consortium will serve as an example and as a resource for what can be accomplished elsewhere in China and in other developing countries. Will your Agency work with this Consortium to implement solutions to these environmental health problems and save the rising generation of Chinese children from lives of disfigurement and disease and also remove the health impediments to economic growth?

Answer. USAID follows the policy guidance of the Department of State on all proposed activities in China. USAID implements a Regional HIV/AIDS program with NGO's in southern China, and manages, at the direction of the State Department and the Congress, limited activities on the Tibetan Plateau and a rule-of-law grant to Temple University. Generally, USAID's environmental health activities focus on infectious diseases, especially the prevention of diarrhea disease and pneumonia in children, as well as malaria. USAID has chosen to focus its limited resources in these areas because the public health threat in terms of both child mortality and the overall disease burden in these areas are greatest and because there are proven and effective interventions. In a very few countries USAID has addressed specific problems of chemical contamination in the environment, such as lead exposure in children and arsenic contamination of drinking water. Within the existing legal and policy framework that guides and directs USAID's involvement in China, we would, of course, give full and complete consideration to such a proposal.

#### FISCAL YEAR 2004 USAID BUDGET REQUEST FOR RUSSIA

*Question.* The fiscal year 2004 budget request for Russia is \$75 million below the last year's level. While some of this decrease can be attributed to the transfer of

exchange programs to the Department of State Bureau of Educational and Cultural Affairs, what programs or activities will USAID cut in the “graduation process”?

Answer. You are correct that \$30 million of the \$75 million decrease is due to the transfer of exchange programs to the Department of State Bureau of Education and Cultural Affairs. These important exchange programs with Russia will continue to be funded.

The anticipated reduction in FREEDOM Support Act funding in 2004, and its implications for future funding, will force USAID, in consultation with the Assistance Coordinator’s Office in the State Department, to make difficult decisions among important activities.

During the phase-out period, we will likely continue to focus on the sustainability of civil society institutions across all sectors that will be instrumental in continuing to push for reforms and for building a democratic society in Russia. We will probably also continue to emphasize our programmatic emphasis on Russia’s critical health problems—particularly HIV/AIDS, tuberculosis, and unhealthy lifestyles. In addition, given the resources and development potential of the Russian Far East, as well as its cultural and historic ties to the United States, we anticipate continuing to emphasize programs in this region. In view of the economic progress Russia has made, most of the proposed budget cuts will likely be borne by our economic growth programs; some are slated for early termination and others will likely be curtailed entirely. In some cases, those cuts are being made in 2003 to ensure that we have the resources for other priority areas in 2004.

*Question.* How will democracy programs be impacted by the decrease in assistance for Russia?

Answer. We recognize that Russia’s transition, particularly toward democracy, may well not be complete by 2008, and that as FREEDOM Support Act programs end, the U.S. Government must nevertheless remain to stay engaged in Russia’s transition. It is our understanding that other USG agencies plan to continue to support civil society development and democracy via National Endowment for Democracy, Embassy Democracy Commission, United States–Russian citizen contacts, and professional and student exchanges.

We realize that Russia continues to face challenges in democratic development. We are developing a strategy to phase out FSA assistance to Russia over the next several years that will seek to ensure a legacy of sustainable institutions to support civil society and democratic institutions. During this time, we will increasingly focus on democracy and rule of law to ensure that we consolidate and sustain the progress made over the past decade. We will seek to advance structural changes that are needed to create a hospitable environment for Russian civil society.

FSA technical assistance programs have played a vital role in advancing progress toward rule of law in Russia, including vital support for the professionalization of Russian court administration and judicial training; emphasis upon the importance of judicial ethics (resulting in more openness by the Russian courts concerning disciplining of judges); reform of law school curriculum, including introducing and supporting clinical legal education; and supporting every aspect of the development of the new criminal procedure code, which has drastically changed the roles for Russian judges, prosecutors and defense attorneys. As another example, legal volunteers from Vermont, including judges, practicing attorneys, and staff of Vermont Law School, have worked with the Republic of Karelia on a professional development program for Karelian judges, legal educators, and practicing lawyers. Our focus is now on helping the Russian bar consolidate the gains it has made, particularly by sponsoring professional education events to help the bar hone its advocacy skills.

#### FISCAL YEAR 2004 USAID BUDGET REQUEST FOR ARMENIA

*Question.* The fiscal year 2004 budget request for Armenia is \$40.5 million below last year’s level. Is this cut too drastic, and what programs will you terminate should Congress provide the budget request?

Answer. While a reduction in FREEDOM Support Act (FSA) funding in fiscal year 2004 would reduce the scope of USAID programs, USAID does not believe that such a reduction would be detrimental to the progress and momentum in reform that it has achieved in its efforts to date. USAID/Armenia conducted an initial analysis on what a reduced FSA budget would do to its programming. Armenia has made progress in certain areas over the past few years, and we are able to wind down successful programs. For example, some of our micro-credit programs are now self-sustaining, our energy metering program has been successfully completed, and the Earthquake Zone Recovery program will end in fall 2004. While we would not elimi-

nate any of our major program areas, as described in more detail below, we would have to phase out and/or scale down certain programs.

USAID/Armenia has an integrated strategy to assist in economic and political transition to a law-based market economy and an open, pluralistic democracy. The strategy also anticipates support to lessen the distress of Armenia's transition. With reduced funding levels, the Mission would continue its integrated approach, but would reduce the scope of activity in each of its program areas. Anticipated activities are grouped into five broad areas: A more competitive private sector (economic reform), improved democratic governance (governance), improved primary healthcare (healthcare reform), improved social protection (social protection), and more efficient and environmentally sound management of energy and water resources (energy and water). If funding is reduced, USAID/Armenia, in collaboration with partners and stakeholders, would focus on a more limited set of key objectives in each of these areas.

Economic reform, with a focus on micro, small and medium enterprise development and job creation, remains a primary focus areas of the Mission portfolio because it is viewed as a major driving force in Armenia's advancement toward economic growth, equity, and political stability. The Mission intends to shift its emphasis toward strengthening institutions that implement commercial laws and policies in order to create a legal and regulatory environment that will encourage greater foreign direct investment. At a reduced funding level, technical assistance to micro, small, and medium enterprises in the sectors would be focused on sectors with the greatest growth and employment potential.

Work in democracy and governance continues to be a high priority for the Mission, addressing three interlinked problems: dominance of the executive branch, a lack of democratic political culture, and corruption. USAID programs support strengthening citizen participation, non-governmental organizations, non-state media, local governance, anti-corruption, legislative strengthening, and rule of law. Citizens have demonstrated greater interest in community issues, and USAID plans to continue its efforts fostering this developing sense of community ownership and responsibility. Projects that encourage citizens to participate in public issues cover a variety of issues ranging from condominiums, police, human rights, the Constitution, local government and elections. These activities stimulate the "demand side" for improved democratic process. The "supply-side" for improved democratic governance is achieved through strengthening governance institutions to make them more effective, transparent, and accountable to citizens. To promote democratic governance, funding at a reduced level would require limiting the focus to three or four of these seven areas, with priorities being to strengthen the demand for better governance and anti-corruption.

In healthcare reform, efforts address transition from the Soviet-legacy system for the provision and administration of healthcare. Programs target financial reform, institution building, training, enhanced transparency, community mobilization, health education, medical outreach, and nutrition. With reduced funding, there would be fewer United States-Armenia partnerships; a decreased effort to strengthen primary care, reproductive health and system reform; and smaller-scale direct assistance programs. Efforts would continue in financial reform, which is essential to develop a system in which patients are allowed to choose care providers. Financial reform must be accompanied by training to shift care provision from highly-specialized, hospital based system to preventive, primary care. The pace of healthcare reform would slow down with reduced funding in this area.

Social protection programs serve a humanitarian purpose and build popular support for market and democratic reforms. With the existing levels of poverty, unemployment and other forms of vulnerability, social protection remains a priority for USG assistance in Armenia. USAID/Armenia will support a new vocational training program partnered with targeted labor development programs, as well as strengthening core assistance programs, including pensions for the elderly and poverty family benefits. At a lower funding level, our assistance in the social insurance system aimed at the improving pension and disability support and payment systems would decrease, as would the proposed skills training and labor development programs. Fewer vulnerable populations, such as the aging, will be assisted.

The Mission's energy and water sector activities will promote more efficient and environmentally responsible development of these key public services. Improving the performance of the institutions that manage and regulate water and energy will improve the delivery of heat and water services and increase Armenia's energy security. USAID's support is aimed at promoting sustainable energy and water management, enhanced economic growth and competitiveness, reduced negative environmental impacts, energy security, and improvement to the quality of life of Armenians by supporting improved delivery of water and heat supply. At a reduced fund-

ing level, these goals will be harder to achieve due to their complexity and the length of time required. However, because the Mission's plans to focus on institution building, policy development, and pilot projects where other donors will make the major infrastructure investments, key objectives can be achieved at the reduced funding level, with careful attention to focus, planning and implementation.

*Question.* Armenia's presidential elections in February 2003 were mired in controversy. How is USAID bolstering democracy in that country, and should more programming be done?

*Answer.* By all accounts, the conduct of the recent presidential election in Armenia was controversial. It highlighted the strong tendency toward executive branch domination. Consequently, multiple efforts in democracy and governance continue to be a high priority for the Mission. These efforts address three interlinked problems: dominance of the legislative and judicial branches of government by the executive branch, a lack of democratic political culture, and corruption. USAID programs support greater citizen participation, an expanded role for non-governmental organizations, improved news coverage by non-state media, stronger local governance, targeted anti-corruption activities, legislative strengthening of the National Assembly, and increased dependence on the rule of law. Armenian citizens continue to demonstrate great interest in community issues. As such, USAID plans to continue its efforts to foster this nascent sense of community ownership and responsibility. Projects that encourage citizens to participate in public issues cover a variety of issues ranging from condominiums, human rights, the Constitution, local government and elections. These activities stimulate the "demand side" for improved democratic processes. An improved "supply-side" for improved democratic governance is achieved through strengthening governance institutions to make them more effective, transparent, and accountable to citizens.

#### USAID SUPPORT FOR THE COOPERATIVE DEVELOPMENT PROGRAM

*Question. Israel.*—Is USAID considering reinstating support for the Cooperative Development Program?

*Answer.* The Cooperative Development Program (CDP), a centrally-funded USAID program that has enabled MASHAV, the development assistance arm of the Government of Israel's Ministry of Foreign Affairs, to develop collaborative relationships with developing countries around the world, is receiving its last tranche of central funding in fiscal year 2003. This program, which has involved commitments of nearly \$75 million since the late 1980s, was felt to have fully accomplished its goals.

In fiscal year 2001, MASHAV and USAID initiated a new partnership that emphasizes relationships between our two organizations at the country level. Individual USAID Missions are encouraged to consider collaborating with MASHAV on projects in which Israeli expertise is deemed to be appropriate. The USAID Mission in the Central Asian Republics has been the first to enter into such a partnership. It will continue to utilize Israeli expertise directly through a Mission-funded \$5 million agreement with MASHAV, which runs until the end of fiscal year 2005.

#### RURAL ELECTRIFICATION

*Question.* What funding level does USAID anticipate providing for international rural electrification in fiscal year 2004, and what is USAID's commitment to these programs?

*Answer.* Globally, USAID anticipates providing approximately \$35,500,000 in fiscal year 2004 for rural electrification. This number represents a wide range of technical assistance, capacity building, and policy and regulatory work that facilitates increasing access to electricity in rural areas. This total is at this time provisional as actual figures will depend on appropriation numbers and final determination of field programs based on field mission strategies and current needs. USAID is fully committed to this issue through the Global Village Energy Partnership (GVEP), a program under the White House Signature Clean Energy Initiative (CEI). The CEI aims to provide millions of people in the developing world with access to affordable, reliable, clean, healthy, and efficient energy services. USAID is the appointed USG Agency to lead up the GVEP which seeks to reduce poverty and promote sustainable development through increased access to modern and affordable energy services in areas either not served or under-served by current energy delivery systems. The Partnership brings together developing and industrialized country governments, public and private organizations, multilateral institutions, consumers and others in an effort to ensure access to modern energy services by the poor and aims to help reduce poverty and enhance economic and social development for millions around the world. It builds on existing experience and adds value to the work of its individual partners. It reaches out to non-energy organizations in the health, education,

agriculture, transport and enterprise sectors, and offers a range of technology solutions to meet their needs. This covers renewable energy, energy efficiency, modern biomass, liquefied petroleum gas (LPG) and cleaner fossil fuels. The Partnership will help achieve the internationally recognized Millennium Development Goals. The partnership will also address gender issues in order to reduce health and environmental hazards and increase social and economic welfare; it will build on the knowledge and capacity of each member of the community in energy delivery and use.

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QUESTIONS SUBMITTED BY SENATOR ARLEN SPECTER

U.S. COMPANIES AND USAID PRIME CONTRACTORS

*Question.* How best can prime contractors utilize U.S. companies as suppliers in reconstruction efforts—is this something that can be written, or amended, into contracts?

*Answer.* USAID policy is to buy American products as often as possible. However, where American equipment cannot be maintained or repaired, USAID documents the reasons why the purchase of U.S. products was not feasible. USAID cannot direct its prime contractors in terms of what subcontractors to use. However, in order to facilitate procurement opportunities for interested companies, USAID has established an extensive website containing detailed information on our Iraq reconstruction activities and direct links to our prime contractors.

USAID CONTRACT PROCESS

*Question.* Mr. Administrator, I have been recently contacted by Dick Corporation of Pittsburgh, Pennsylvania, a company that is interested in assisting in the reconstruction of Iraq. Dick Corporation is a major contractor that provides quality construction services to the Army Corps of Engineers, the Navy, and the General Services Administration. In serving all of these clients, the company has been a recipient of numerous awards for performance excellence. Currently, Dick Corporation is rated by Engineering News Record as 36th in the listing of the Top 400 Contractors and 22nd of the Top 50 Contractors working abroad. What is the process Dick Corporation should go through to work with AID in obtaining construction contracts? Has AID issued any similar construction contracts in the effort to rebuild Iraq?

*Answer.* USAID encourages firms with demonstrated expertise in particular sectors to contact USAID's prime contractors. USAID posts the names of the prime contractors on the USAID website as contracts are awarded. Given that the prime contractor is legally bound to the parameters of the contract, the prime must determine the most technically appropriate and cost-effective sub-contractor relationships to meet the deliverables within the contract. USAID's capital construction requirements are being implemented by Bechtel National, Inc., with technical oversight provided by the Army Corps of Engineers.

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QUESTION SUBMITTED BY SENATOR JUDD GREGG

PEREGRINE FUND

*Question.* What is the status of USAID's funding for The Peregrine Fund's (TPF's) Neotropical Raptor Conservation Program in Panama?

*Answer.* USAID has provided funding of \$1,000,000 to the Peregrine Fund (\$500,000 each in 2001 and 2002) and will provide \$500,000 in 2003. Management of the grant is being transferred this year from the Washington based Regional Sustainable Development Office to the USAID mission in Panama.

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QUESTIONS SUBMITTED BY SENATOR ROBERT F. BENNETT

ACCOMPLISHMENTS IN AFGHANISTAN

*Question.* What are some of the accomplishments we can point to in Afghanistan?

*Answer.* Below we provide USAID accomplishments organized by sector:

Humanitarian (following 24 years of conflict and 4 years of drought):

—Averted famine for between 8–10 million Afghans in 2001–2002.

—Ensured that 5.9 million Afghans were able to survive the winter of 2002–2003 by prepositioning food aid and providing emergency shelter kits.

—Kept the major north-south artery (Salang Tunnel) open

- Provided opportunities for thousands of Afghans to regain their dignity and a measure of livelihood security through the implementation of dozens of cash-for-work programs
- Revitalizing Agriculture and other Livelihood Options (70 percent of Afghans dependent on agriculture for their income):
- Provided 3,500 MT of seeds and 3,100 MT of fertilizers for the spring 2002 planting season that produced 100,000 MT of wheat benefiting 60,000 farmers. These inputs helped to contribute to an 82 percent increase in production from the previous year and contributed to a decrease in the number of Afghans who will need food aid this year.
- In fall 2002, 5,000 MT of seed and 9,000 MT of fertilizer were distributed to 113,000 farmers in 13 provinces. Estimated increase in wheat crop production from this contribution is 42,000 MT, which translates into an additional \$69 net income per farmer. (Note: There is no data on average annual income in Afghanistan. However, other countries with comparable social indicators have annual average incomes between \$100-\$200 per year.) FAO's crop forecast produced just prior to harvest in summer 2003 indicates that the harvest could be, "the best harvest in 25 years" and a 60 percent increase over 2002. The report indicates that good rainfall, additional land in production, and widespread availability of seed and fertilizer account for the increase. If actual harvests are as good as the pre-harvest survey predicts, Afghanistan could realize a national surplus in cereals, particularly wheat, in 2003.
- In spring 2003, 227 MT of seed and 339 MT of fertilizer were distributed to 4,500 farmers in three provinces. This distribution focused on increasing seed production for improved varieties of a wider range of crops, rather than just cereals as had been the focus in spring 2002 and fall 2002.
- Repaired over 5,000 km of rural roads through cash-for-work; carried out 250 projects related to road infrastructure (culverts, retaining walls, etc.); reconstructed 31 bridges.
- Carried out 5,245 small agricultural water infrastructure projects (irrigation canals, small dams, levees, etc.)
- Repaired and managed the traffic control system for the Salang Pass, the major north-south route for Afghanistan.
- Provided over 11,000,000 person-days of cash-for-work jobs; the equivalent of 1 month of employment for half a million Afghans.
- Upcoming Accomplishments:
- \$150 million three year Rebuilding Afghanistan's Agricultural Markets Project (RAMP), awarded July 2003, will include major sub-programs in rural agricultural infrastructure, rural financial services, and technology improvement and market development.
- Kabul-Kandahar Highway Reconstruction:
- Rebuilding 390 km of 482 km Kabul-Kandahar highway; successfully met mobilization and implementation challenges presented by President Bush's direction to accelerate reconstruction for first layer asphalt completion by December 31, 2003. Paving initiated July 1, 2003; five separate construction subcontractors now mobilized and working five road segments.
- Enhancing Educational Opportunities:
- Provided 15 million textbooks for the start of school in 2002 and 10.7 million in 2003.
- Provided 4,000 basic teacher training kits.
- Providing, since March 2002, a food salary supplement, equal to 26 percent of income, to 50,000 teachers.
- Rehabilitated 142 schools, daycare centers, vocational schools, and teacher training colleges.
- Upcoming Accomplishments:
- Start accelerated learning programs for upwards of 60,000 girls who missed education under the Taliban.
- Provide emergency training for 30,000 community-selected teachers.
- Rebuild 1,000 schools over 3 years.
- Improving Health, particularly Maternal/Child Health (Second highest maternal mortality rate in the world; one in four children die by the age of five):
- Immunized 4.26 million children against measles.
- Provided one-quarter of the Kabul water supply, focusing on the poorest districts.
- Carried out 3,114 small potable water supply projects (wells, springs, small distribution systems).

- Launched a water purification solution product, called Clorin, to combat child mortality due to diarrhea; in partnership with private sector, Clorin is being produced in Afghanistan.
- Provided access to basic health services to an area covering 3.8 million people in 17 provinces; 191,724 persons have been treated at these clinics (75 percent of whom are women and children).
- Rehabilitated the water systems for Kandahar and Kunduz, benefiting 650,000 people by increasing supply, pumping capacity, extending service lines, and eliminating direct discharge of human waste through provision of sanitary latrines.

Upcoming Accomplishments:

- Expand basic health services to an area covering 16.5 million Afghans.
  - Build or renovate up to 400 basic health centers in rural areas.
- Strengthen Afghan Institutions to Assure Stability:
- Provided \$58 million total to the Afghan Reconstruction Trust Fund for budget support.
  - Provided a food salary supplement, valued at 26 percent of income, to 270,000 civil servants over 6 months. Recent assessment concluded that a number of qualified civil servants returned to their jobs because of this supplement.
  - Effectively managed the currency conversion process on behalf of the Central Bank through the provision of personnel to staff the 52 exchange points, counters, shredders, and transportation for moving the currency. Currency has maintained value and stabilized against the dollar, since its roll-out in fall 2002.
  - Rehabilitated 13 government ministries, including the provision of daycare centers so that women can return to work.
  - Provided critical assistance to the United Nations for the emergency Loya Jirga, including logisticians who developed the plan for implementation; air operations support; educational films on the Loya Jirga process for communities; international observers to ensure transparency in the selection of delegates; and nationwide expansion of Radio Kabul broadcasts with messages about the Loya Jirga process.
  - Rehabilitated (i.e., electricity, office repairs) and/or provided equipment (communications equipment, computers) to 19 Government ministries and offices.
  - Provided daycare centers to Ministries to enable women to return to work.
  - Provided a satellite phone system and pouch mail so that the central government in Kabul can communicate with its regional offices.
  - Established Afghanistan's first private sector FM radio station.
  - Work with the Ministry of Finance and Central Bank to rebuild key economic institutions, such as the banking system, revenue collection, government financial management systems, privatization, utility reform, and trade reform.
  - Establishing 18 Women's Centers nationwide with accelerated learning and health education programs.
  - Supporting the Constitutional, Judicial, and Human Rights Commissions.
  - Establishing community radio stations.

CLEAN WATER IN IRAQ

*Question.* It is my understanding that access to potable water is one of the more pressing problems facing Iraq today. What has USAID done with respect to providing clean water to Iraqis?

*Answer.* USAID, through support to UNICEF, is addressing the need for improved water supply by establishing a water and sanitation coordination team comprising U.N. agencies, ICRC and international NGOs, completing extensive water assessments and procuring and distributing water treatment chemicals for communities in South and Central Iraq.

USAID's private sector partner for capital construction, Bechtel, will be rehabilitating up to 8 water treatment facilities in Basra, 6 water treatment plants in south central Iraq, and the Sabah Nissan water treatment facility in Baghdad to increase treated water in east Baghdad by 45 percent and in overall Baghdad by 15 percent.

Lastly, USAID plans to rehabilitate seven wastewater treatment plants in Baghdad, the Central region and Mosul. All require significant rehabilitation due to neglect during the sanctions period. Some have suffered additional degradation due to looting. Reducing sewage flow into the rivers is a key element to providing clean water to Iraqis and to reducing Iraq's high infant mortality rate.

## USAID USE OF AMERICAN GOODS IN IRAQ RECONSTRUCTION

*Question.* Home Depot believes that \$50 million in sales of supplies and equipment to Iraq could result in at least 300 new American jobs. How is USAID maximizing the use of American goods and supplies in the reconstruction of Iraq?

*Answer.* USAID has awarded all of its primary contracts and grants to American firms. However, USAID is also maximizing the amount of Iraqi goods and services to ensure that Iraqis are fully invested in the reconstruction of their own country, which is also consistent with Administration policy.

## EGYPT

*Question.* How would you assess the effectiveness of AID's very long and extensive program in Egypt? What are the prospects for real economic and political reform in Egypt, and how could U.S. assistance be used more specifically to promote those goals?

*Answer.* USAID has provided Egypt with over \$25 billion since the Camp David Accords. We have helped Egypt move from a socialist centrally planned economy towards a more open, market-oriented economy.

In the 1970s, USG assistance helped restore and reopen the Suez Canal, one of Egypt's major foreign exchange earners, along with oil/gas and tourism.

Over \$6 billion has been invested in physical infrastructure programs including electric power, water, wastewater and sanitation, telecommunications and transportation. Results: 95 percent of Egyptians have access to electricity; 22 million citizens have access to water/wastewater services; the number of telephones increased over seven-fold.

Social and economic development strategies in health care, basic education and agriculture have improved the quality of life for millions of Egyptians. USAID has provided \$134 million since 1990 for small and medium enterprise development and micro-lending programs. With USAID assistance, six not-for-profit business associations and two banks are now implementing efficient and effective Small and Medium Enterprise (SME) lending programs that are operating on a self-sufficient basis. To date, 840,000 loans, valued at over 2.1 billion Egyptian pounds, have been extended to 340,000 Egyptian entrepreneurs with less than a two percent default rate. These loans have, in turn, helped to create more than 240,000 jobs.

Child survival programs have been successful with infant mortality falling by 45 percent and mortality rates for those under age five falling by 53 percent.

USAID's program has helped the Government of Egypt (GOE) take the steps to create a globally competitive economy by emphasizing policy reforms supportive of increased foreign and domestic investment, export oriented growth, workforce and business skills development, and privatization and investment in Information Technology (IT). USAID's efforts also culminated in the recent inauguration of an Egyptian IT center in Chantilly, VA that will strengthen the U.S./Egyptian technology partnership. In the 1990s, major reforms strengthened macro-economic discipline, reined in inflation and privatized many state-owned enterprises. Real economic growth averaged more than 4.6 percent over the decade, and per capita GDP has climbed above \$1,400.

The USG is currently negotiating with the GOE reforms that will be necessary to strengthen the financial sector and underpin Egypt's recent pound float. The floating of the pound is viewed as a preliminary show of commitment from the GOE to financial sector reform. It will enhance the competitiveness of Egyptian exports, tourism and economy.

The USG is prepared to provide financial and technical assistance towards strengthening the banking sector, including the privatization of State Banks, as well as assistance to strengthen/reform insurance and pension systems and securities.

The GOE hopes to negotiate a Free Trade Agreement (FTA) with the USG. In order to achieve success in this effort a number of actions will be required on the GOE's part.

While the USG intends to continue to provide some technical assistance resources to trade and custom reforms, the GOE will need to undertake on its own initiative certain steps towards achieving an FTA.

## AMERICAN EDUCATIONAL INSTITUTIONS IN LEBANON

*Question.* The American educational institutions in Lebanon are considered by most Lebanese and Lebanese Americans as a key component of the American assistance program. Congress consistently supports the American educational institutions. This support is demonstrated yearly in bill and report language. Despite strong Congressional direction, AID appears to resist funding the schools.

In fiscal year 2003, Congress provided \$35 million in assistance for Lebanon. The conference report directed that not less than \$3.5 million should be provided to the American educational institutions. Despite this clear statement of congressional intent, Administration officials have indicated they plan to provide only \$2.5 million for the schools. Does the Administration plan to disregard the conference report language on the American educational institutions in Lebanon?

Answer. The Administration continues to support to all of the American Educational Institutions (AEI) in Lebanon: the American University of Beirut (AUB), the Lebanese American University (LAU), the International College (IC), and the American Community School (ACS). However, USAID's program objectives and goals have grown, while available funding has decreased. The program now includes: promoting economic growth, building democracy and good governance, enhancing Lebanese government control in southern Lebanon, and protecting the environment, in addition to supporting the four AEIs. In order to meet these goals, we have turned to funding projects using implementing partners, such as NGOs and private-sector organizations, which have the capability to execute our projects but lack alternative funding resources. In contrast, AEIs do have endowments and the ability to fundraise from their alumni. The USG has a commitment to those NGO partners that are working on a sound and successful development program that has and will continue to benefit millions of people all over Lebanon.

Please note that during the period of 1999–2002, the AEIs received \$9.852 million in support from the American Schools and Hospitals Abroad (ASHA) fund, managed by USAID. That support averages out to be \$2.463 million a year. For fiscal year 2003, ASHA funding to the AEIs will continue.

In fiscal year 2003, the Administration has made available \$24.77 million in economic support funds (ESF) for the Lebanon program. This number reflects the 0.65 percent across the board cut for all ESF assistance levels and the \$10 million which is restricted, from being provided to Lebanon under Section 1224 of the Foreign Relations Authorization Act of fiscal year 2003. Given these constraints, and consistent with the spirit of the language on AEIs in Lebanon contained in the Conference Report on Foreign Operations, Export Financing, and Related Programs Appropriations Act, fiscal year 2003 (which states that \$3.5 million of the original appropriation of \$35 million should be allocated to the AEIs), we are allocating 10 percent of the fiscal year 2003 ESF funding made available for Lebanon, or \$2.477 million, to the American educational institutions in Lebanon.

#### PALESTINE

*Question.* The United States has been providing approximately \$75 million a year since the Oslo process began to the Palestinians to help alleviate their economic difficulties. Just last month, Congress approved a supplemental bill that included an additional \$50 million in U.S. assistance to the Palestinians. Since the Palestinians began their campaign of violence two and a half years ago, however, it has been increasingly difficult to send U.S. personnel into the areas administered by the Palestinian Authority to either monitor existing programs or create new ones. How would you assess the effectiveness of AID's programs in the West Bank and Gaza? How have you been able to effectively monitor and initiate new programs, given the security situation on the ground? How have you been able to ensure that US money does not go directly into the hands of leaders of the Palestinian Authority and that no U.S. money, either directly or through subcontractors, goes to groups or individuals involved in terror?

Answer. Effectiveness of USAID's Programs in the West Bank and Gaza:

- Over the past 2½ years escalating violence, terrorism, closures and curfews have resulted in the virtual collapse of the Palestinian economy and a growing humanitarian crisis. This period has been tumultuous for Palestinian and Israeli societies alike, and a potential disaster for the peace process.
- The Palestinian Authority's (PA) ability to address the severe problems faced by the population has been negatively impacted by the destruction of PA infrastructure and the lack of internally generated resources. Consequently, much of the burden for addressing the on-going crisis falls to local and international NGOs, and the international donor community. Reform efforts have focused on working with key PA ministries, while at the same time supporting a more dramatic overhaul of PA institutions and operating styles.
- Despite a difficult political and security situation, program implementation continues, albeit with some delays caused by often limited access to project sites and border closures by the Israeli Defense Force (IDF).

- USAID/WBG has achieved significant results across the portfolio, through use of innovative implementation approaches and the dedication of the staff, contractors and grantees, and other Palestinian and Israeli counterparts.
- The Mission has helped to avert a humanitarian catastrophe; initiated efforts to revitalize the Palestinian private sector and to support reform; and maintained infrastructure, institutional and human capacity development programs critical for the formation of an independent Palestinian state.

**Effective Monitoring Given the Security Situation:**

- Because of the security situation, monitoring has been a major concern. As such, the Mission has increased visits to project sites through enhanced reliance on FSN staff and through the expansion of Embassy and Consul General Regional Security Office personnel, which permits our U.S. Direct Hire and Personal Services Contract (PSC) staff to travel to the West Bank and Gaza more frequently.
- We arranged for an IG Risk Assessment and enhance audit activities during the coming year pursuant to the specific recommendations from the IG.
- The Mission has exerted considerable effort to improve bilateral relations with relevant Israeli officials, which has resulted in permits for Mission, contractor and grantee staff to travel more freely between Israel and the Palestinian Territories and has facilitated cooperation generally with respect to project planning and implementation.

**Ensuring That U.S. Money Does Not Go To Groups Or Individuals Involved In Terror:**

- USAID funds its programs through U.S. contractors, U.S. Private and Voluntary Organizations (PVO), Palestinian Non-Governmental Organizations (NGO), and Public International Organizations (PIO).
- To minimize the risk of Mission resources being used to support terrorist organizations, USAID introduced a vetting process, which has allowed the Mission to continue funding more than 400 Palestinian civil society organizations.
- All USAID programs are carried out through American contractors, American and international non-government organizations (NGOs) and Palestinian NGOs. Furthermore, working closely with the Embassy's Country Team, USAID carefully checks the references of all Palestinian NGOs who are to be recipients of funds to ensure that there are no links to terrorist organizations or to organizations advocating or practicing violence. These reference checks are periodically updated.
- USAID and the Country Team preview requests for grants from Palestinian NGOs, purpose of the grant, the NGO's previous experience with managing grants, and the NGO's key personnel—including their dates of birth to avoid false positives in the vetting process. Decisions on whether or not to approve grants to certain Palestinian NGOs are based on the totality of the circumstances.
- USAID uses this information as part of its due diligence process in deciding which NGOs should receive its grant funds.

**Ensuring That U.S. Money Does Not Go Directly To The Palestinian Authority:**

- Until now, U.S. law has required that no USG funds are to obligated or expended for direct assistance to: (a) the Palestine Liberation Organization; (b) the Palestinian Authority; (c) a Palestinian state; nor to; (d) the Palestinian Broadcasting Corporation.
- The USG has now decided, for the first time, to give direct assistance to the Palestinian Authority. A \$20 million cash transfer will be used to support municipal services and for repair and rehabilitation of municipal infrastructure, such as roads and water works.
- The U.S. stands solidly behind Prime Minister Abbas. Under his leadership, a constructive change and empowerment of Palestinian governing institutions is underway. His efforts to end terror and violence present real opportunity to move forward on President Bush's two-state vision. Palestinian reform efforts are in progress. Besides having Prime Minister Abbas to work with, Palestinian Authority finances are under the stewardship of Finance Minister Fayyad, and are now largely transparent and therefore, accountable to the Palestinian people.
- The United States believes it is important to act now to reinforce this positive progress and to signal support for Prime Minister Abbas, Finance Minister Fayyad, and to help them establish their authority on the ground.
- USAID will keep close track of how these funds are used via ongoing consultations with Minister Fayyad, our Consulate General in Jerusalem, and our USAID presence in Gaza and the West Bank. All parties are well aware that

the prospect of future such direct transfers would depend on the degree of success of this one.

INSTITUTIONALIZING PRIVATE PROPERTY RIGHTS

*Question.* What efforts has the agency made to instill the principals of institutionalizing private property rights and leveraging capital in developing countries as propounded by Hernando de Soto and Institute for Liberty and Democracy (ILD)?

*Answer.* USAID has a long and highly productive relationship with the Institute for Liberty and Democracy (ILD) and its director, Hernando de Soto. USAID considers ILD a key partner in its long-standing commitment to improving property rights systems and counts it as one of our major success stories. The relationship began in 1982 when ILD was a fledgling institution and continues up to the present day.

Over these 20 years, USAID has provided approximately \$39 million of financial assistance to ILD. In fiscal year 2003, USAID will provide an additional \$6 million to ILD. A main focus of this effort is the establishment of an International Training Center.

ETHIOPIA FOOD CRISIS

*Question.* The news from Ethiopia about the food situation is not encouraging. Could you please describe the U.S. efforts to alleviate the suffering in Ethiopia? Are the Europeans and non-traditional donors (such as China and Russia) doing their fair share?

*Answer.* The U.S. Government has provided over \$400 million in humanitarian assistance to Ethiopia this fiscal year to address both food and other emergency relief needs. The food, health, nutrition, water and sanitation, and agricultural recovery programs supported by the U.S. Government have already saved and will continue to save people from starvation and disease in Ethiopia.

In response to the Ethiopia 2003 appeal for emergency food assistance, the U.S. Government has pledged approximately 878,790 metric tons (MTs) valued at over \$393 million. This represents 57 percent of Ethiopia's total food aid requirements for 2003. Since the onset of the emergency in 2002, U.S. Government food aid pledges to Ethiopia now total over 1,000,000 metric tons valued at approximately \$475 million. The European Community has pledged 283,570 MTs. Other donor countries have pledged an additional 338,786 MTs.

Regarding non-traditional donors, India has provided 10,000 MTs of food aid.

FAITH-BASED HEALTH/DEVELOPMENT EFFORTS

*Question.* What is USAID doing to encourage faith-based health/development efforts?

*Answer.* The Bureau for Global Health (BGH) is coordinating its efforts with the newly opened Office of Faith-Based and Community Initiatives (OFBCI) within USAID. In order to effectively address the health needs in the developing world USAID will continue to partner with religious organizations and local community initiatives in an effort to reach areas in a comprehensive manner. The OFBCI is holding regular meetings with the Bureau for Global Health to assess and reach out to new partners.

The BGH is also coordinating with the OFCBI on eight regional conferences, to encourage and reach out to new partners interested in participating in USAID global health programs. These events will be held throughout the United States.

QUESTIONS SUBMITTED BY SENATOR TED STEVENS

*Question.* Please provide a chart of agriculture funding.

*Answer.*

CHART OF USAID AGRICULTURE FUNDING 1992-2004

Fiscal year	Dollars in thousands	Fund type	Source
1992 .....	625,277	Obligated .....	Title XII Report
1993 .....	449,535	Obligated .....	Title XII Report
1994 .....	415,258	Obligated .....	Title XII Report
1995 .....	434,530	Obligated .....	Title XII Report
1996 .....	307,825	Obligated .....	Title XII Report

## CHART OF USAID AGRICULTURE FUNDING 1992–2004—Continued

Fiscal year	Dollars in thousands	Fund type	Source
1997 .....	244,754	Obligated .....	Title XII Report
1998 .....	331,231	Obligated .....	Title XII Report
1999 .....	346,365	Obligated .....	Title XII Report
2000 .....	338,104	Obligated .....	Title XII Report
2001 .....	328,985	Obligated .....	Title XII Report
2002 .....	446,303	Obligated .....	Title XII Report
2003 .....	473,877	Allocated .....	USAID PPC/SPP
2004 .....	470,200	Requested .....	2004 CBJ

*Question.* Please provide a breakdown of food aid funds for fiscal year 2003 and fiscal year 2003 Supplemental.

*Answer.*

## FISCAL YEAR 2003 USAID FOOD FOR PEACE (TITLE II) SPENDING PLAN JULY 2003

Country	Fiscal year 2003 non-emergency	Fiscal year 2003 emergency	Fiscal year 2003 Bill Emerson Humanitarian Trust
Angola <sup>1</sup> .....	\$3,164,400	\$111,012,000	.....
Afghanistan .....	.....	59,464,000	.....
Balkans .....	.....	15,536,000	.....
Bangladesh .....	38,566,000	.....	.....
Benin .....	5,749,100	.....	.....
Bolivia .....	29,011,614	.....	.....
Burkina Faso .....	6,761,300	.....	.....
Cameroon .....	141,609	.....	.....
Cape Verde .....	5,177,900	.....	.....
Central African Republic .....	300,485	.....	.....
Central America .....	.....	10,500,000	.....
Chad .....	3,959,194	.....	.....
Congo .....	.....	2,300,000	.....
Djibouti .....	.....	3,240,000	.....
North Korea .....	.....	50,000,000	.....
Democratic Republic of Congo .....	.....	35,000,000	.....
Egypt .....	2,028,338	.....	.....
Eritrea .....	2,873,400	65,000,000	.....
Ethiopia .....	25,891,089	328,000,000	\$129,173,200
Gambia .....	691,281	.....	.....
Ghana .....	23,214,003	.....	.....
Great Lakes .....	.....	45,000,000	.....
Guinea .....	6,190,200	.....	.....
Guatemala .....	24,930,399	.....	.....
Haiti .....	36,957,200	4,000,000	.....
Honduras .....	8,121,245	.....	.....
India .....	44,774,900	.....	.....
Indonesia .....	14,379,600	17,000,000	.....
Iraq .....	.....	170,000,000	45,785,500
Kenya .....	23,779,600	10,000,000	.....
Laos .....	660,810	.....	.....
Lesotho .....	1,630,635	.....	.....
Liberia .....	1,334,214	.....	.....
Madagascar .....	10,481,038	726,000	.....
Malawi .....	3,287,200	.....	.....
Mali .....	203,089	.....	.....
Mauritania .....	8,652,292	.....	.....
Mozambique .....	17,756,116	.....	.....
Nicaragua .....	13,738,579	.....	.....
Niger .....	10,639,592	.....	.....
Pakistan .....	4,289,936	.....	.....
Peru .....	24,551,900	.....	.....
Rwanda .....	13,369,300	.....	.....
Sahel/Mauritania .....	.....	15,000,000	.....
Somalia .....	.....	20,000,000	.....

## FISCAL YEAR 2003 USAID FOOD FOR PEACE (TITLE II) SPENDING PLAN JULY 2003—Continued

Country	Fiscal year 2003 non-emergency	Fiscal year 2003 emergency	Fiscal year 2003 Bill Emerson Hu- manitarian Trust
Southern Africa .....		150,000,000	
Sri Lanka .....	682,895		
Sudan .....	347,590	100,000,000	
Tajikistan .....		10,000,000	
Uganda .....	19,281,517	57,122,000	
West Africa Regional .....	1,142,000		
West Africa Coastal .....		42,000,000	
West Bank/Gaza <sup>1</sup> .....		10,000,000	
Yemen .....		2,569,610	
Zambia .....	1,500,000		
Personal Services Contractors .....	1,000,000	6,000,000	
Prepositioned Stock .....		30,055,935	
Temporary Institutional Support .....		2,000,000	
International Food Relief Partnerships .....		5,000,000	
World Food Program <sup>3</sup> .....	2,218,830	51,000,000	
Farmer to Farmer .....		10,000,000	
Subtotal .....	446,000,000	1,434,955,935	174,958,700
GRAND TOTAL <sup>3</sup> .....		2,055,914,635	

<sup>1</sup> Pending final country allocations.

<sup>2</sup> Fiscal years 2003–2002 ITSH & Unallocated.

<sup>3</sup> Includes \$140,380,935 prior year funds & \$174,958,700 from Bill Emerson Trust Drawdown (\$1,880,955,935 in new obligation authority).

## RUSSIA BUDGET

*Question.* As you are aware, the President cut \$75 million from the budget for Russia, leaving a base budget of \$73 million in total aid. I am concerned that such a drastic cut does not take into account the needs of the Russian Far East.

The RFE faces numerous challenges, including limited access to these areas, a lack of infrastructure, a lack of basic amenities like running water, waste disposal and sewer systems, and high rates of fetal alcohol syndrome, alcoholism, and tuberculosis. This is similar to the situation faced by many rural villages in my state.

Given the situation in the Russian Far East, what are USAID's plans for allocating scarce resources to this area?

*Answer.* The anticipated sharp reduction in FREEDOM Support Act funding in 2004, and its implications for future funding, will force us, in consultation with the Assistance Coordinator's Office in the State Department, to make difficult decisions among important activities.

During the phase-out period of our Russia program, we will likely continue to focus on the sustainability of civil society institutions across all sectors that will be instrumental in continuing to push for reforms and for building a democratic society in Russia. We will probably also continue to emphasize our programmatic emphasis on Russia's critical health problems—particularly HIV/AIDS, tuberculosis, and unhealthy lifestyles. In addition, given the resources and development potential of the Russian Far East, as well as its cultural and historic ties to the United States, we anticipate continuing to emphasize programs in this region.

In view of the economic progress Russia has made, most of the proposed budget cuts will likely be borne by our economic growth programs; some are slated for early termination and others will likely be curtailed entirely. In some cases, those cuts are being made in 2003 to ensure that we have the resources for other priority areas in 2004.

## IRAQ RECONSTRUCTION

*Question.* How can smaller companies and 8(A) minority businesses such as Alaska native corporations participate in the rebuilding effort?

*Answer.* USAID is indeed focused on the issue of business opportunities for the smaller companies and 8(A) businesses during the Iraq reconstruction effort.

Under the special authority which USAID awarded the Iraq prime contracts, it was determined in the best interest of the government to seek Small Business Subcontracting Plans from five of the eight contracts awarded. Of those five, the percentages achieved by the prime contractors are extremely promising and evidence that the Agency is determined to raise the levels of small business utilization in its

contract award process. The resulting percentages achieved under the Plan reflect both the Agency's determination and the primes' compliance to significantly increase their draw on qualified small and disadvantaged businesses as reconstruction activities continue in Iraq: IRG (Personnel Support) at 14 percent; RTI (Local Governance) at 30 percent; Abt (Health) at 58.5 percent; Creative Associates (Education) at 30 percent; and RMS (Logistics) at 29 percent. The Agency is also requiring a similar plan under the agriculture contract currently being awarded under full and open competition.

Since USAID does not have privity of contract with any subcontractors, USAID holds the prime contractors responsible for meeting the contractual requirements, as they will select the subcontractors. Although USAID has provided significant and detailed advice on qualifying for a subcontract on the our Agency's own website, our Office of Procurement as well as Office of Small and Disadvantaged Business have encouraged interested entities as Alaska native corporations to contact Bechtel directly through its website where they can register as a qualified candidate for subcontracting opportunities in Iraq. We have been advised that Bechtel will review all electronic applications and determine which will compete on future Iraq projects as they arise.

In USAID's continuing effort to support small and disadvantaged businesses in their drive to qualify for, and succeed in achieving contracts, we are seeking to improve the Agency's capability to track the levels of compliance of the large businesses with their subcontracting plans. We are also working on expanding our current data base of qualified small and disadvantaged businesses from which the large businesses and prime contractors can draw for both Iraq reconstruction projects as well as the Agency's universe of contracting opportunities.

*Question.* In light of the need to create American jobs during this economic downturn, what are your plans to utilize American suppliers, shippers and contractors to rebuild Iraq?

*Answer.* USAID has awarded all of its primary contracts and grants to American firms. However, USAID is also maximizing the amount of Iraqi goods and services to ensure that Iraqis are fully invested in the reconstruction of their own country, which is also consistent with Administration policy.

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#### QUESTIONS SUBMITTED BY SENATOR LARRY CRAIG

##### PEREGRINE FUND

*Question.* During the fiscal year 2002 and 2003 processes, the subcommittee twice provided \$500,000 for The Peregrine Fund's Neotropical Raptor Program. The project is based in Panama and extends throughout the Neotropics.

Although The Peregrine Fund is not as well known as other conservation organizations, it is still one of the most respected. They are best known for the successful recovery of the Peregrine Falcon and Mauritius Kestrel. Their work, however, extends beyond those species and beyond the borders of this country. Domestically, they have projects in Idaho, Arizona, Utah, and Texas. Internationally, they have projects in Greenland, Panama, Mexico, West Indies, Peru, India, Madagascar, Kenya, Papua New Guinea, and other countries. They focus on endangered birds of prey to conserve nature.

Shortly before the Peregrine Falcon was recovered and removed from the Endangered Species List, The Peregrine Fund drafted Raptor 2100, the organization's strategic plan for the 21st Century. The objective of this plan is to conserve the world's 296 species of diurnal birds of prey. The importance of the Neotropics is obvious since the Neotropics is home to 91 of these species.

The partnership between USAID and The Peregrine Fund dates back several years with projects in Guatemala and Madagascar. The Cooperative Agreement with USAID for the Neotropical Raptor Program was signed in September 2002. The purpose of this agreement is to establish hands-on conservation programs in critical areas of interest to USAID and to help ensure the long-term sustainability of biodiversity conservation through capacity building in the region.

The Cooperative Agreement requires The Peregrine Fund match the \$500,000 provided by the subcommittee and USAID with an additional \$125,000. I am pleased to say that The Peregrine Fund matched these funds with an additional \$600,000 in fiscal year 2002 and \$600,000 in fiscal year 2003.

Highlights from the first eighteen months of the agreement include:

—Completed educational needs and methods assessment in the Panama Canal Watershed and Darien Province.

- Designed and implemented environmental education programs among target communities near release sites in the Panama Canal Watershed, forest frontier communities in Darien, and the general population of Panama.
- Recruited and trained seven indigenous Ember and Wounaan parabiologists in the Darien Province of Panama.
- Completed the first-of-its-kind Neotropical Raptor Conference that brought together 150 raptor conservation practitioners and decision makers from 16 countries.
- Established Harpy Eagle captive propagation program, with 17 eagles hatched and 13 released to date, and staff undergoing training in raptor food production, raptor propagation, and raptor release techniques. Worldwide, only 15 other Harpy Eagles have ever hatched in captivity.
- Implemented monitoring programs for two highly endangered species of raptors on Grenada and the Dominican Republic.

I have been told that during briefings before staffs of this subcommittee that USAID has not been complimentary about this project. “Unproductive” and “not providing the agreed upon cost share” are two of the comments that have been reported to me.

The conclusion I reach when I review the quarterly reports and financial status reports provided by The Peregrine Fund to USAID is different. The results and cost share significantly exceed the contractual obligation.

Please elaborate on these comments. What was said about the projects and the basis from which it was said? Did you discuss these views with the project manager at The Peregrine Fund? If not, why not? If so, what was their response? Which individuals from USAID in DC have visited the project’s headquarters? Any other locations? Any plans to visit?

Answer. Latin America and Caribbean Deputy Assistant Administrator Karen Harbert has had discussions with Senator Craig’s staff on these issues. The Assistant Administrator of Latin America and the Caribbean, Adolfo Franco, recently visited the Peregrine Fund in Panama. The Latin America Bureau recently hosted a meeting with the Vice-President and Program Manager of the Peregrine Fund in Washington to discuss this year and future year funding.

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#### QUESTIONS SUBMITTED BY SENATOR PATRICK J. LEAHY

##### IRAQ RECONSTRUCTION

*Question.* We were given the impression, before the war, that the Administration was prepared to move quickly to address the immediate relief and reconstruction needs. In fact, OMB, USAID, the Pentagon and State Departments were very upbeat about their plans to avoid some of the mistakes we saw, and continue to see, in Afghanistan.

I don’t want to diminish what has been done, but clearly the Administration has not met expectations. The humanitarian crisis that some predicted did not happen, but there are still many Iraqis without electricity, shelter, telephone service, gasoline, or other basic necessities that many of them had before the war. Law enforcement seems to be virtually non-existent. How do you explain this?

Answer. Despite challenges associated with security and looting, as of July 6 national electrical generation was at 3,100 MW about 75 percent of the pre-war highest level. A key 400 kv line from Bayji to Baghdad West was repaired and re-energized allowing excess power from the North to be sent to Baghdad. High tension lines between Baghdad and Basra remain down, preventing excess power from the South from reaching the capital. Electricity in northern and southern Iraq has been restored to pre-conflict levels and connected areas experience 24-hour availability. Electricity availability in central Iraq is at 1,350 MW, against an estimated current demand of 1,900 MW.

USAID has received reports that gas station lines in Baghdad are much shorter and on June 5, gasoline distribution exceeded pre-war levels of 5–5.2 million liters/day, with 5.5 liters delivered. Reports from other cities such as Kirkuk indicate that fuel lines are almost non-existent.

##### IRAQI CIVILIAN VICTIMS

*Question.* Thousands of Iraqi civilians were killed or injured, or had their homes damaged or destroyed, in the war, many as a result of U.S. bombs. In the Supplemental, Congress included the following language:

“[\$2.4 billion is appropriated for Iraq relief and reconstruction in Iraq] including . . . for assistance for families of innocent Iraqi civilians who suffer losses as a result of military operations . . .”

The Statement of the Conferees reads as follows:

“. . . The managers intend that USAID and the Department of State, in coordination with the Department of Defense and nongovernmental organizations, will seek to identify families of non-combatant Iraqis who were killed or injured or whose homes were damaged during recent military operations, and to provide appropriate assistance.”

This language is modeled on what we did in Afghanistan, where we are trying to relieve some of the suffering and the anger and resentment resulting from our mistakes. I don't know if you saw the May 10th NY Times article, “For Family That Lost 10 to Bomb, Only Memories and Grief Remain”, but I would encourage you to read it.

Would you get back to me or my staff with a strategy to implement the law, so we can show that we are not turning our backs on these people?

Answer. USAID is applying lessons learned from its experiences in Afghanistan to apply to Iraq, including assistance in the repair of damaged infrastructure based on community participation and prioritization. USAID has a number of mechanisms that are available to assist civilian victims, including its Community Action Program and infrastructure reconstruction efforts that address health and education facilities. Mission staff is actively assessing an appropriate strategy and will be consulting with the Office of Coalition Provisional Authority.

#### ARAB OPINION OF AMERICA

*Question.* Last year, this subcommittee held a hearing on democracy programs. One of the issues we discussed was the low opinion of the United States held by many in the Arab world. We found it both deeply troubling and somewhat baffling, given that there is strong support in many Muslim countries for American culture and technology.

I know that we have launched the Middle East Peace Initiative, increased our public diplomacy, and reviewed our aid programs to these countries to make them more effective.

In spite of this, the situation seems to be getting worse, not just in the Middle East but in Muslim countries everywhere. A new Pew poll found that Arab hostility towards the United States is on the rise, including in key—and moderate—nations like Turkey, Indonesia, and Jordan. For example, when asked who they have more confidence in, President Bush or Osama bin Laden, 55 percent of Jordanians favored bin Laden and only 1 percent favored President Bush. In Indonesia it was 58 percent to 8 percent.

Why do you think we are losing the battle of hearts and minds in the Arab world?

Do you think these programs be effective if there is no resolution to the Israeli-Palestinian conflict?

Answer. We defer this question to the State Department.

#### MILLENNIUM CHALLENGE ACCOUNT

*Question.* \$1.3 billion of the President's fiscal year 2004 budget is for the first installment of the new Millennium Challenge Account. I support this, although I do not agree with the White House's plan to create a new corporate bureaucracy to manage it. Who would implement these programs?

Answer. The MCA is still a legislative proposal and as such a number of the details await definitive legislative treatment. Nonetheless, the Administration has given a great deal of thought to how the MCC could be best implemented.

MCA programs would be founded on a partnership and be very focused on one or two key strategic objectives that the country has identified as its top priority to stimulate growth. In order to develop a proposal, the MCA would ask countries to engage in a consultative process with all the relevant civil society and private sector groups. One of the central principles of the MCA is that it be a transparent process from start to finish. This is why it is important that the initial phase of developing a country proposal set the tone and foundation for the development partnership. While the process may vary considerably from country to country, the themes of transparency and country leadership and ownership of the proposal are critical.

In some cases, technical assistance may be required to help a country develop a proposal, which the MCC could offer. However, the country would be managing the process; it would not be a case of the MCC hiring consultants to develop a proposal it wants.

If a country's proposal is selected, a country contract would be negotiated between the MCC and government. This does not imply that those funds would only go to the government. To the contrary, it is anticipated that MCC funds would go to a variety of national and community actors and alliances. However, the government would sign the agreement with the MCC and have overall responsibility for managing and overseeing the contract. The reason a contract approach was chosen was to underscore that both parties have an obligation to meet the terms and conditions outlined in the contract.

The Administration anticipates that MCC funds would mobilize a variety of economic actors in each country; to the extent that a development result requires a public sector investment (schools or roads), funds would be channeled through the government. However since economic growth inevitably depends on the activities and investments of the private productive sectors, community groups and civil society organizations, the Administration expects that these institutions would also participate, and even implement the bulk of the investments. In all cases, the Administration expects that MCC funds would be disbursed directly to the institutions implementing activities under the MCC contract through the most flexible, but accountable mechanisms.

If a country selected for MCC funding has a USAID mission and program, USAID would likely undertake a strategic review of the program. In many cases, the USAID program would likely transition to support the MCC contract. Some programs, such as those fighting HIV/AIDS or trafficking in persons, might well be continued, while others might logically be phased out or incorporated in the MCC program. Indeed, one of the ways that USAID would complement the MCC is that USAID has the ability to address regional issues, such as disease, water resources, transport linkages, etc., that the MCC, by virtue of being country-specific, cannot.

One of the basic premises for implementation of the MCC is that it should be demand-driven. The Administration does not want to prescribe the mechanics of how activities would be implemented. The Administration anticipates that this would vary considerably from country to country, knowing there are no "cookie-cutter" approaches that would work across the board. However, the goal would be to employ simple implementation mechanisms that require less oversight and less U.S. management than traditional projects. There are a variety of mechanisms for spending the funds, such as contracts or grants, but these could be managed by the host country, following their policies and procedures.

Because the management approach of the MCC would be to employ local institutions for country development, it is appropriate that the MCC, too, rely heavily on strong local institutions for the in-country expertise it requires. Economic and financial analysis of specific MCC investments can be contracted locally. Technical advisory services to the MCC can be contracted locally. Monitoring and evaluation can largely be contracted locally. Therefore, the Administration anticipates that the full-time presence of U.S. Government employees needed to manage the MCC could be significantly reduced.

Even though the Administration envisions a strong reliance on local institutions, there would still be a need for limited MCC staff presence in the field to facilitate, manage and oversee the partnership. Due to the limited staffing, the Administration anticipates that the Ambassador and Embassy staff would play a strong supportive role of the MCC. We also believe that USAID field staff, with its development expertise and knowledge of local culture and context, would play a key role in supporting the MCC.

USAID presence in the field has rightly been repeatedly recognized as its strongest suit. Thirty years of development experience has taught the Agency that country context matters a great deal. USAID's very capable field Missions could provide critical support to the MCC, helping to work with local partners, finding creative, local solutions to problems, and generally facilitating the work of the MCC. The basic USAID activity in many of the likely MCA countries has been knowledge transfer and building local capacity and institutions. In some cases, continued USAID programs in institution building might be necessary for a time to further build country capacity to manage MCC programs and resources. USAID anticipates having a key role in supporting MCC programs, USAID does not want to adopt a black or white approach to how it would relate to the MCC in every country; rather we think each country would need to be reviewed on a case-by-case basis.

*Question.* This is supposed to be new money, yet both the Child Survival and Health Programs account and the Development Assistance account, are being cut in the President's budget. How do you explain this?

*Answer.* The MCA reflects a key part of President Bush's historic commitment to increasing foreign assistance. The President's national security strategy placed unprecedented emphasis on the role of development as a tool of foreign policy. This

emphasis is reflected in his budget for foreign affairs. In his fiscal year 2004 Budget, President Bush requested \$28.516 billion for the Function 150 Account, an 11 percent increase over \$25.652 billion for the fiscal year 2003 Request. The fiscal year 2004 request for the Child Survival account is higher than the request for fiscal year 2003. With respect to Development Assistance, it is anticipated that activities in this account would be complemented by the MCA and the Famine Fund and would improve the overall delivery of effective foreign assistance.

*Question.* I also have questions about eligibility for the Millennium Account. Countries must show that they are taking serious steps to combat corruption, support health and education, and good governance. That makes sense. But a country like Brazil would not be eligible for the MCA because its per capita income is too high. Brazil is a country of 100 million people of immense importance to the United States, where a small percentage of the population is very rich and the vast majority is desperately poor. Shouldn't we look at ways to use the MCA to promote better policies in regions or states of a country with such serious needs, and of such importance to the United States, as Brazil?

*Answer.* MCA is part of an unprecedented and concerted commitment of President Bush to increase and improve the effectiveness of foreign assistance. It is the President's intention that the MCA, if enacted, would focus on the poorest countries. In the first year of the MCA, the President proposed that only the world's 74 poorest countries, those that have a per capita income of \$1,435, and that are eligible for the soft window of the World Bank, would be considered for the program. That is because the MCA is targeted on spurring growth in the best performing poorest countries, providing the level of resources that can really make a difference in moving them to a higher growth trajectory. It will rely on country institutions—investors, business people, political leaders and civil society—to design and lead the economic growth of the country. MCA, as proposed, would therefore only assist a limited number of countries. That leaves the large majority of the developing world to USAID and other agencies and actors. Since the MCA has not yet been enacted, countries have not yet been selected so it is unclear if Brazil would qualify for MCA assistance. Nonetheless, assuming Brazil would not qualify for MCA, the country would still receive assistance from USAID.

#### DEVELOPMENT ASSISTANCE

*Question.* Despite the \$2.5 billion increase above the fiscal year 2003 level, the President's fiscal year 2004 budget request would cut funding for the Development Assistance account by \$35 million. This account funds everything from agricultural research to children's education to environmental conservation to democracy building. It funds the bulk of USAID's programs to alleviate poverty. How do you justify cutting these programs? The total amount requested for Development Assistance for fiscal year 2004 is \$1.345 billion. That is less than my tiny State of Vermont spends on public education. Do you believe that this is enough for the richest, most powerful country in the world to spend on combating global poverty?

*Answer.* In his fiscal year 2004 Budget, President Bush requested \$28.516 billion for the Function 150 Account, an 11 percent increase over \$25.652 billion for the fiscal year 2003 Request. This commitment reflects President Bush's strong support for programs to assist those less fortunate overseas. USAID's Development Assistance funding will be complemented by other presidential initiatives such as the Millennium Challenge Account (\$1.3 billion requested) and the Famine Fund (\$200 million requested) to assist in the effort to combat global poverty and its ill effects.

#### COMPLEX EMERGENCY FUND

*Question.* Among the increases is \$100 million for an emergency fund for "complex foreign crises." Are you familiar with this? Isn't it essentially a blank check? What limits would there be on the use of this fund? Could it be used for weapons?

Since the President has asked for this authority "notwithstanding any other provision of law," what is to prevent the fund from being used to supply weapons to an autocratic government that violates human rights?

Between the Peacekeeping Operations, Refugees, and Disaster Assistance Accounts, it seems like the Administration already has broad authority to respond to the complex foreign emergencies. What would this fund allow you to do that you can't already do?

*Answer.* As the President's fiscal year 2004 budget states: This is a proposal for a new appropriation that is intended to assist the President to quickly and effectively respond to or prevent unforeseen complex foreign crises by providing resources that can be drawn upon at the onset of a crisis. This appropriation will be used to fund a range of foreign assistance activities, including support for peace and

humanitarian intervention operations to prevent or respond to foreign territorial disputes, armed ethnic and civil conflicts that pose threats to regional and international peace, and acts of ethnic cleansing, mass killing or genocide. Use of this appropriation will require a determination by the President that a complex emergency exists and that it is in the national interest to furnish assistance in response. This appropriation will not fund assistance activities in response to natural disasters because existing contingency funding is available for that purpose. (Source: Budget of the United States Government, fiscal year 2004—Appendix: International Security Assistance, pp. 906–7).

#### FOOD AID AND FAMINE

*Question.* During the consideration of the last two appropriations bills—the Omnibus and the Iraq Supplemental—I worked with Senators Nelson and Kohl to attach two amendments that added over \$1 billion dollars to help address food shortages, especially Africa.

Unfortunately, during the conferences on these bills, the House majority, working with OMB, knocked out \$500 million of this badly needed food aid funding. What would USAID do with an extra \$500 million in food aid? Could it be put to good use, for instance, in Ethiopia?

*Answer.* The United States remains far and away the largest donor of emergency food aid in the world. USAID targets its emergency food aid to the most severely affected populations worldwide. In the past 18 months, the Administration has provided 500,000 metric tons of emergency food aid to Southern Africa. This year, U.S. donations to the Horn of Africa will reach about 1 million metric tons. The President's budget reflects a careful prioritization among the competing demands for international humanitarian assistance. The President's request for fiscal year 2004 retains our commitment to addressing the most severe and critical emergency food aid needs. In addition to the requested Public Law 480 Title II resources, the President has proposed a new \$200 million Famine Fund specifically designed to provide a new, flexible tool to meet dire, unexpected famine needs. The Bill Emerson Humanitarian Trust is available to meet unanticipated needs.

*Question.* I recognize that the Administration has requested \$200 million for a new Famine Fund. I strongly support this request. However, wouldn't the Famine Fund be more effective if the President's request did not cut more than \$300 million from the Disaster Assistance and Title II food aid budget that could be used to augment resources of the Famine Fund? Aren't we just moving money around?

*Answer.* Regarding your questions on food aid and famine, the Administration believes that the \$1.185 billion Public Law 480 Title II request for food aid will enable the United States to meet its fair share of anticipated worldwide emergency, protracted relief and recovery, and non-emergency food aid requirements. The President's combined request for Public Law 480 Title II and the Famine Fund for fiscal year 2004 represents an increase in USAID-managed food aid resources of over 16 percent compared to the fiscal year 2003 President's request. The Bill Emerson Humanitarian Trust is available to meet any significant unanticipated emergency food aid needs. The additional authority the Administration hopes to receive with the Famine Fund will provide it with the necessary additional flexibility to respond more effectively to famine threats than is currently possible.

*Question.* What will the President's budget request mean for U.S. contributions to world food needs, compared to historic levels for U.S. contributions of 33–50 percent? What percentage of total contributions will the President's budget provide?

*Answer.* The President's budget request was based on a review of projected 2003 emergency needs and emergency trends for the past several years. Exclusive of Iraq, if worldwide emergency food needs remained static, the fiscal year 2004 Title II budget request would provide sufficient food aid resources to meet approximately 28 percent of worldwide emergency, protracted relief and recovery needs. Resources will benefit drought victims, internally displaced populations, refugees, and other food insecure groups. The Administration also considers the Bill Emerson Humanitarian Trust as a viable tool for unanticipated humanitarian food needs, as has been evidenced in its effective use in fiscal year 2002 for the Southern Africa drought response and in fiscal year 2003 for Ethiopia drought relief and Iraq post-conflict support.

#### UGANDA

*Question.* Mr. Natsios, what do believe that it will take, in terms of diplomatic capital and foreign assistance funding, to obtain a peaceful resolution to the conflict in Northern Uganda that involves the Lord's Resistance Army and Government of

Uganda. Please discuss specifics such as staffing needs, types of additional assistance, or legislation that may be helpful in resolving this crisis.

I have been informed that USAID plans to spend \$1.4 million in emergency relief to the northern areas. Is this correct? Do you believe that this is sufficient?

Answer. The longstanding conflict in northern Uganda has its origins in ethnic and political conflict going back to Uganda's earliest years as a nation. The Lord's Resistance Army (LRA) leadership is erratic and its objectives obscure. So in spite of the efforts of many well-intentioned parties, the situation is as bad as ever. Nevertheless, the United States is now committed to redoubling our efforts, and we are working to see if we can help bring about a better situation for the people in northern Uganda.

USAID has responded to this humanitarian crisis with both food and disaster assistance, as well as development assistance resources to support a northern Uganda peace effort. The U.S. Ambassador in Uganda and the USAID Mission Director are coordinating their efforts to develop confidence-building measures between the Government of Uganda and the Lord's Resistance Army to work toward a peaceful settlement to the current conflict. USAID staff in Washington and the U.S. Department of State are also working closely together to support our diplomatic and foreign assistance efforts with personnel and financial resources.

USAID/Uganda's strategic development assistance interventions in the northern and western districts of Uganda aim to mitigate the impact of conflict and increase community resilience through humanitarian and relief-to-development assistance. USAID's \$16 million Community Resilience and Dialogue activity, which began in September 2002 and will continue through 2007, assists the victims of conflict and torture including communities living under threat of attack, families that have moved to internally displaced persons (IDP) camps, current and former abductees, and ex-combatants taking advantage of amnesty. USAID/Uganda and the Government of Uganda have plans to begin a National Reconciliation Dialogue to explore the roots of Uganda's various conflicts and how to move Uganda beyond its cycle of mistrust among certain groups. USAID/Uganda currently has sufficient resources to do this under its Community Resilience and Dialogue Program.

In fiscal year 2003, USAID's Africa Bureau has provided an additional \$538,000 to fund full-time staff, third-party mediation efforts, and conflict resolution activities. In the future, additional development assistance resources will be needed to fund a program that will provide expertise to the Government of Uganda on negotiating a peaceful settlement with the LRA. This technical assistance would support the Government of Uganda's Presidential Peace Team to effectively engage the LRA.

In response to the humanitarian crisis in fiscal year 2003 as of July 1, USAID Office of Foreign Disaster Assistance has provided over \$3.7 million in emergency humanitarian assistance to Uganda in the sectoral areas of emergency health, nutrition, water and sanitation. Working through nongovernmental organizations, OFDA has assisted affected populations in Gulu, Kitgum, Pader and Lira districts. In addition, USAID/OFDA has provided funds to the American and Ugandan Red Cross Societies and the United Nations Office for the Coordination of Humanitarian Affairs to support general assistance programs and the coordination of activities throughout the region.

USAID's Office of Food For Peace has also provided 81,660 metric tons (MT) of Public Law 480 Title II emergency food assistance, valued at \$50.1 million, through the World Food Program to meet immediate food needs. This amount is more than triple the fiscal year 2002 spending level of \$15.3 million. As a result of the caseload in the north and the southern drought, the caseload has jumped dramatically from 250,000 to 1.3 million people. The majority, 800,000 beneficiaries, are in the north and the remaining 500,000 are in the drought-stricken Karamoja region in the Northeast.

In the event of a peaceful resolution to the conflict, additional development and humanitarian resources would be required to meet the needs of demobilization and reintegration of populations affected by the conflict. Resource levels will be determined by needs assessments and conditions on the ground.

#### SUDAN

*Question.* Additionally, what resources will you need to do quick impact programming in Sudan to help facilitate peace there?

Answer. USAID is currently developing plans, jointly with the Sudanese parties and other donors, to address the funding needs of a quick-impact program after a peace agreement is signed. Any peace agreement must be followed by quick-start activities of rapid visible benefits to communities, rehabilitation of basic infrastructure and services, assistance to returning internally displaced persons (IDPs) and

refugees, and support of the new southern entity governing the South. We welcome congressional interest in this matter and look forward to further communication as plans develop.

#### WOMEN IN DEVELOPMENT

*Question.* Year after year, the Congress has recommended \$15 million for USAID's Office of Women in Development, but USAID has consistently funded the Office at only about \$10 million. This year I am told you have cut it to \$6 million. What do we have to do to get the funds for this office that we believe it needs? Should we earmark it?

*Answer.* The budget allocation for WID for fiscal year 2004 reflects the realignments necessary to accommodate the overall budget reductions for the EGAT bureau. This will not adversely affect WID field operations because the new "Gender Matters" indefinite quantity contract (IQC) insures that field missions will have expanded access to gender-related technical assistance.

#### CHILD SURVIVAL AND HEALTH PROGRAMS

*Question.* As I mentioned in my statement, the President has received justifiable praise for signing the AIDS authorization bill. But at the same time his budget would cut key foreign aid programs. As I said on the Senate floor 10 days ago, funding for vulnerable children is cut by 63 percent, funding to combat other infectious diseases besides AIDS is cut by 32 percent, Disaster Assistance is cut by 19 percent, and Development Assistance is cut by 3 percent. There are also cuts in food aid, refugee assistance, and other global health programs.

In response to my remarks, the White House spokesman said I was making an "apples and oranges" comparison and that the Administration has proposed programs that would accomplish some of the same goals. Can you explain what he meant? Wasn't the MCA supposed to be new money?

Do you support these cuts, at a time when SARS is showing, once again, how vulnerable we are to infectious diseases that originate half way around the world?

*Answer.* The foreign assistance budget request reflects an attempt to maintain a balance between health and other important development areas. Within our parameters, our fiscal year 2004 request for health programs has increased compared to our fiscal year 2003 request.

At the same time, the Administration has made HIV/AIDS its highest health priority. This, unfortunately, has meant a reduction in funding for child survival, maternal health and infectious diseases from previous years. To minimize the impact of lower funding, we will continue to work with partners in the public and private sector to leverage efforts, and focus on populations most in need and on the most effective interventions. In infectious disease we would protect globally important core programs in TB and malaria—given the tremendous burden of these diseases.

SARS, for the time being, is still a new outbreak requiring investigation and emergency control, rather than a developmental issue. Our priority must remain focused on addressing TB and malaria, which kill millions each year and devastate families, communities and local economies. Nevertheless, SARS clearly demonstrates that health challenges and epidemiology will continue to change, and highlights the importance of planning and flexible and sufficient funding to address these changes quickly and effectively.

#### HIV/AIDS

*Question.* Mr. Natsios, the HIV/AIDS authorization bill that the President signed recently recommends that funding to combat HIV/AIDS be allocated as follows—55 percent on treatment; 15 percent on care, and 20 percent on prevention. In addition, one-third of the amount of the money for prevention must be spent on abstinence programs.

How is [this] different from the way in which the Administration currently spends funds on HIV/AIDS programs? Do you support these percentage earmarks? Why not 50 percent, 10 percent and 30 percent? Why not earmark all your health programs like this?

The bill also establishes an AIDS "Coordinator" for all the U.S. Government's international AIDS activities. But rather than just be a coordinator, this person would have the final say over how every dollar is spent, including USAID's budget for AIDS, TB, and malaria. Why does this make sense?

*Answer.* USAID's HIV/AIDS programs have been traditionally prevention-focused. However, in recent years, we have begun to integrate significantly more care and treatment into our programs. The availability of care options is essential in order for people to agree to voluntary testing and counseling. With major declines in the

price of antiretrovirals (ARVs), and with greatly increased worldwide support for ARVs, we are now adding ARV treatment to the care programs we have been supporting for some time. While this will increase our treatment budget, it does not necessarily diminish our focus on prevention.

As you know, the needs are great in all areas of prevention, care and treatment. The scope and “maturity” of the epidemic, and the available resources from the Global Fund, other donors and host governments vary by country. There is, then, variation in the balance of need between these categories in different countries. USAID, therefore, seeks the greatest possible flexibility in deciding how to program its funds, and would prefer not to have to adhere to strict percentages in administering these funds on a country-by-country basis, but can meet these percentages overall.

Assisting in the international struggle against HIV/AIDS does have foreign policy implications, and needs foreign country expertise. The State Department, therefore, is the right place for coordinating and overseeing these efforts. Further, a single AIDS coordinator can facilitate division of responsibilities among the increasing numbers of U.S. agencies involved in the fight against HIV/AIDS. For over a decade, USAID was the only U.S. Government agency fighting the pandemic internationally. In recent years, however, the Departments of Health and Human Services, Defense and Labor have all joined the fight. More resources and expertise are what we need in this complex battle. Finally, the coordinator model for the SEED and FSA account funds has been successful, and we believe such a model for HIV/AIDS would be equally successful.

#### FISCAL YEAR 2004 BUDGET REQUEST FOR FORMER SOVIET UNION

*Question.* The President’s fiscal year 2004 budget request would cut funding for the former Soviet Union from \$755 million to \$576 million. Aid to Russia would fall from \$148 million to \$73 million. I know of many USAID programs to promote legal reform, improve health care, combat organized crime, improve market-based agriculture, clean up toxic pollutants, and other initiatives that will be shut down because of this cut. Does that make sense to you?

*Answer.* Part of the apparent large cut in the overall fiscal year 2004 request for Freedom Support Act (FSA) assistance reflects a shift in funding for educational and professional exchanges from the FSA account in the Foreign Operations appropriations request to the Bureau for Educational and Cultural Affairs line item in the Commerce, State, Justice appropriations request.

The lower request level also recognizes, particularly for Russia, progress already achieved on reform, especially economic reform. Programs in this area will likely be phased out over the next several years.

We realize that Russia continues to face challenges in democratic development. We are developing a strategy to phase out FSA assistance to Russia over the next several years that will seek to ensure a legacy of sustainable institutions to support civil society and democratic institutions. During this time, we will increasingly focus on democracy and rule of law to ensure that we consolidate and sustain the progress made over the past decade. We will seek to advance structural changes that are needed to create a hospitable environment for Russian civil society.

FSA technical assistance programs have played a vital role in advancing progress toward rule of law in Russia, including vital support for the professionalization of Russian court administration and judicial training; emphasis upon the importance of judicial ethics (resulting in more openness by the Russian courts concerning disciplining of judges); reform of law school curriculum, including introducing and supporting clinical legal education; and supporting every aspect of the development of the new criminal procedure code, which has drastically changed the roles for Russian judges, prosecutors and defense attorneys. As another example, legal volunteers from Vermont, including judges, practicing attorneys, and staff of Vermont Law School, have worked with the Republic of Karelia on a professional development program for Karelian judges, legal educators, and practicing lawyers. Our focus is now on helping the Russian bar consolidate the gains it has made, particularly by sponsoring professional education events to help the bar hone its advocacy skills.

In 2001, an interagency task force identified health as one of the three priority areas for FSA assistance in Russia. Russia’s growth rate in HIV/AIDS in 2001 was one of the fastest in the world. Multi-drug resistant TB is another serious problem, particularly in prisons. Funding for health programs has increased over the last two years and we plan to continue these programs for some years to come.

Some anti-crime activities that had been funded under FSA, such as programs to combat organized crime and money laundering, will likely continue, perhaps at different levels, with alternate funding sources.

Our strategy is not yet complete, so we don't have all the answers. But we are determined to help Russia preserve the remarkable gains it has made since 1992 and to complete the transition into a market-based democracy.

#### RENEWABLE ENERGY

*Question.* There are more than 2 billion people in emerging markets without electricity. There is an enormous opportunity for U.S. companies that could help develop renewable energy resources to serve their needs. Just as an example, I'm told that there is a \$700 billion global market to supply small hydropower technology and know-how over the next few years.

While USAID seems to give a lot of attention to the oil and gas areas within the energy sector, renewable and clean energy technologies have not enjoyed the same strong support by USAID even though congressional intent has been clear. Last year, we provided \$175 million for energy conservation, energy efficiency, and clean energy programs. Are you using any of this money for oil and gas development? What steps are you taking to ensure that these funds are used to promote a wide range of renewable energy sources?

Last year we required the President to submit a report on greenhouse gas emissions, as we have in past years, "not later than 45 days" after the President's submission of his fiscal year 2004 budget request. We should have received that report already. Do you have any idea where it is?

*Answer.* For fiscal year 2003, Congress directed USAID to spend \$175 million on global climate change mitigation and adaptation, energy conservation, energy efficiency, and clean energy programs. The report containing information on how USAID is complying with this directive is currently at OMB. The energy expenditures for this directive total \$94.4 million which includes transfers to DOE and NRC. USAID's energy assistance programs focus on three critical policy dimensions of the energy sector: improved governance of the energy sector; enhanced institutional capacity of public, private and non-governmental energy sector participants, and increased public understanding of, and participation in, the energy sector. Creating the conditions for economic growth and poverty reduction requires increasing access of people and business to modern energy, and increasing the affordability of energy for consumers. This access and affordability, in turn, requires a transformation of energy markets for all energy technologies. Such market transformation involves changing the foundation of the sector from politics to market economics and in improving the effectiveness of government, private sector, and consumer institutions in terms of management practices, technical operations, resource use, and energy consumption. Therefore, our energy governance programs benefit all fuel sources, including oil, gas, as well as renewable energy and energy efficiency. Our programs in the oil and gas sector are modest and include developing legal and regulatory frameworks and some pilot scale oil field clean up activities in Kazakhstan. With respect to renewable energy sources, USAID funds activities that ensure that reformed energy sectors pay particular attention to all clean energy technologies and incorporate clean technologies and alternative energy into the mix. USAID's programs seek to overcome market and institutional barriers to increasing access to energy in rural areas and encouraging widespread adoption and use of clean and renewable energy systems to meet development needs. Elements include: supporting policies, technologies and business models that result in increased access to modern energy services in underserved areas; fostering implementation of policy or regulatory changes that clarify or establish rights and incentives for the cost-effective utilization of clean and renewable energy resources and technologies; mobilizing business entities to pursue clean energy projects; leveraging financial commitments to clean energy sources; and catalyzing the establishment or strengthening of host-country institutions for the explicit purpose of promoting clean and renewable energy to meet rural development needs. This program directly supports the White House Signature Clean Energy Initiative's (CEI) and the Global Village Energy Partnership (GVEP). Our programs make extensive use of Cooperative Agreements with U.S. NGOs that partner with in-country institutions, Letter Grants with international development organizations and multi-lateral development banks, Inter-Agency Agreements with other USG agencies (DOE labs, EPA, USDA), and works closely with other USG agencies (State and Commerce).

## ENERGY PROGRAMS

*Question.* I have worked with Senator Byrd and others to open and expand international energy markets and export U.S. clean energy technologies to developing countries. These efforts help meet our national and international energy needs as well as address related trade and environmental objectives.

The Clean Energy Technology Exports Initiative can help meet that challenge. This bipartisan initiative had its genesis in the Senate Appropriations Committee, and could aid in meeting other nations' infrastructure and development needs while also increasing the deployment of a range of clean energy technologies, including renewable, energy efficiency, clean coal, and hydroelectric technologies. The Administration has talked about this, but little has been done.

I assume you agree that it is in the long-term strategic interest for the United States to help open and expand international energy markets and export a range of U.S. clean energy technologies?

Are you aware that USAID is a leading agency involved in the implementation of the Clean Energy Technology Exports Initiative? How you are working to fulfill your agency's mandate under the Initiative's strategic plan?

What actions is USAID taking to work with other federal partners and non-governmental organizations, private sector companies, and other international partners to implement this plan?

*Answer.* USAID, the Department of Energy, and the Department of Commerce, working in collaboration with U.S. industry, spearheaded the preparation of a five-year strategic plan for a clean energy technology exports (CETE) program. A draft of the five-year strategic plan was completed and submitted to the U.S. Congress. The strategic plan outlines a program to increase U.S. clean energy technology exports to international markets through increased coordination among federal agency programs and between these programs and the private sector. While supplemental legislation to fund the five-year plan has not been forthcoming, CETE Agencies have used the strategic plan as a basis for reconciling inter-agency relations in a way that emphasizes institutional strengths and avoids overreaching for areas not in Agencies' missions.

## COFFEE CRISIS

*Question.* As you know, the rapid decline in the price of coffee has had a devastating impact on economies of developing countries, especially in Latin America. The coffee price crisis has also hampered our foreign aid and counter-narcotics efforts. The President of Colombia wrote a letter to me making the connection between the coffee price crisis and our foreign aid programs.

In November 2002, the House and Senate passed bipartisan resolutions urging the Administration to come up with a global, coordinated strategy to deal with this crisis. What progress has been made in formulating this strategy? Is USAID involved?

*Answer.* The Department of State is leading an interagency USG effort to prepare a strategy on the coffee crisis. USAID is a member of the drafting committee. A discussion draft has been completed and circulated through an inter-agency review process. It is scheduled to be submitted to the Deputies meeting hosted by the National Economic Council the week of July 21.

## UNIVERSITY REQUESTS

*Question.* We developed a new approach that USAID strongly supported and which I believe you are familiar with. Unlike in the past, we no longer specify which university requests USAID should fund, nor do we specify a recommended dollar amount. We do list the university proposals which we believed deserve serious consideration.

Unfortunately, it has not turned out as we had hoped. Universities are still getting the run around. First, assuming they can locate someone who can give them an answer, they are told that Washington makes the decisions. Then they are told that the missions make the decisions. This goes on until the universities eventually give up, USAID declares victory, and we get the complaints.

I think we may have no choice but to earmark a pot of money for these programs. We tried to help you, but it has not worked out. Do you have anything to say?

*Answer.* We believe that the new Agency approach to managing university requests is working well. We have processed 68 university proposals (from 58 higher education institutions), which are listed on the House and Senate Reports. A summary of this approach and a status report on the 68 proposals follow below.

Two years ago USAID established a Higher Education Community (HEC) Liaison position in its Office of Education in the Bureau for Economic Growth, Agriculture and Trade. Martin Hewitt now serves as the HEC liaison and is the key point of contact for universities seeking information and advice on the opportunities and programs within USAID.

For tracking and management of unsolicited concept papers and proposals, the HEC Liaison is supported by a working group within the Agency. This working group is composed of representatives from the regional and technical bureaus. The working group shares the responsibility for either reviewing the proposal in the regional or technical office (if the proposal is technical or sector specific with no country cited) or for distribution to a USAID Mission (if the proposal is explicit regarding a country where the planned activity will be conducted). The working group shares the responsibility for tracking the status of higher education proposals with the HEC Liaison. The group communicates frequently to ensure that the improvements in procedures and information flow are achieving their desired results.

In the House Appropriations Committee Report 107-663 and the Senate Appropriations Committee Report 107-219, Congress included the requirement that USAID report on the status of 68 university proposals listed in the House and Senate reports.

The following actions have been taken concerning university proposals:

- The HEC Liaison sent e-mails to every higher education institution mentioned in the University Programs section of the Senate and House Reports to direct them toward information about Agency solicited competitive processes and opportunities. (Ten of the universities mentioned submitted applications to the University Partnerships competitive grant program).
- The HEC Liaison made personal telephone calls to thirty higher education institutions listed in the Senate and House Reports to ascertain the status of their proposal submissions and to provide guidance.
- The HEC Liaison has been contacted by at least thirty higher education institutions to request information about guidelines for developing concept papers, proposals, and for information about how the review process works (if the proposal aims to work in a particular USAID/Mission, then the proposal is shared with the Mission for review, if not, the proposal is reviewed in a technical or regional bureau). Every call or e-mail from higher education institutions to the HEC Liaison is responded to in an informative and timely way.
- The HEC Liaison has participated in numerous conferences, meetings, site visits, regarding the USAID-University relationship and the specifics for how Universities can address Agency policies, programs, projects and obtain support for doing so.

Following is the status of university proposals mentioned in the House and Senate Reports (June 23, 2003):

Total number of universities cited .....	58
Total number of proposals cited .....	68
Number of proposals received .....	37
Number not received .....	31
Of those received:	
Number of proposals approved .....	17
Number rejected .....	12
Number under review .....	8
Total proposal funding (millions of dollars) .....	15

**Summary:**

- (1) 54 percent of proposals mentioned in the House and Senate Reports have been received.
- (2) 46 percent of proposals received have been funded.
- (3) 32 percent of proposals received have been rejected.
- (4) 22 percent of proposals received are under review.

The 17 successful proposals were approved because they met the review criteria contained in USAID's brochure and website U.S. Higher Education Community: Doing Business with USAID. The criteria include two, which bear on the proposed activities' consistency with foreign policy and development goals. They are: the extent to which the proposal supports USAID's mandate and objectives, and the anticipated long-term impact of the project and the nature of the on-going relationship between institutions.

The major reason that the twelve proposals were rejected included:

- The failure to meet or support USAID's mandate or objectives in the country, region, or sector

- The duplication of ongoing efforts
- Budget limitations in targeted bureaus, countries
- Lack of technical merit

In each case where proposals were rejected, a letter was sent to the applicant informing them of the reasons why the proposal was not accepted.

#### QUESTIONS SUBMITTED BY SENATOR TOM HARKIN

##### PEOPLE WITH DISABILITIES IN AFGHANISTAN

*Question.* As you may know, I have been a long-time advocate for the rights of people with disabilities and was one of the main authors of the Americans with Disabilities Act. It is very important to me that any reconstruction supported with U.S. funding be accessible to people with disabilities and allow them to equally participate in civic and community life. As I am sure that you will agree, it is critical that at this crucial period in Iraq and Afghanistan where the people in these two nations are rebuilding their futures, all voices be heard. It is my hope that the Administration has given this some thought and I would be eager to learn what the short-term and long-term plans USAID has developed to address this important issue? I use the term reconstruction to mean both physical structures and civil society. What programs does USAID have to assist people with disabilities in Afghanistan? Again, I would be interested in the short-term and long-term programs.

*Answer.* In answer to both questions, USAID has taken an active role in the development of two programs aimed at war-victims and people with disabilities through the Leahy War Victims' Fund. One is a million dollar grant to the Comprehensive Disabled Afghans Programme (CDAP) run by UNOPS, to address needs of disabled Afghans. The other is a \$2 million program from the Displaced Children and Orphans Fund (DCOF) which will address some of these issues as well.

The Comprehensive Disabled Afghans' Programme (CDAP) has been selected as the lead entity to assist the Ministry of Martyrs and Disabled in developing national capacity in the field of disability. This project provides quick impact interventions that will help to address the problems faced by the Government of Afghanistan.

Consultation with the disabled population of Kabul, particularly those involved in recent political activities, has established the need for community-based outreach centers for the disabled in Kabul. The disabled community would like to see basic rehabilitation services provided, along with some ancillary services, such as job assistance.

Current procurement is open for bids for the running of five rehabilitation centers. It is expected that the centers will open no later than September 01, 2003 providing jobs, training and comprehensive rehabilitation services.

DCOF has awarded a \$2 million grant to three leading child-focused agencies—Child Fund Afghanistan (CFA—also known as Christian Children's Fund in the United States, International Rescue Committee, and Save the Children/U.S.—to assist 50,000 vulnerable children and families, including orphans, displaced children, working children, and former child soldiers.

The three agencies, which work together as part of the NGO Consortium on the Care and Protection of Children with CFA playing the finance management role), will each focus on vulnerable children in a particular geographic area. CFA will work in northeastern provinces (Kunduz, Takhar, and Badakhshan); IRC will work in the Herat region; and Save the Children will work in Kabul. The work will include:

- Specialized Community-based training
- Targeted Community Programs like youth-led civic works projects, vocational training, income generation, and infrastructure rehabilitation.
- Targeted assistance to highly vulnerable children, youth and families through small grants, supplies and referrals.

In addition, USAID will be constructing handicapped accessible schools and clinics throughout Afghanistan, and is facilitating the distribution of 10,000 privately donated wheel chairs to the disabled of Afghanistan.

##### SECURITY IN AFGHANISTAN

*Question.* Last year, President Bush said: "We will help the new Afghan Government provide the security that is the foundation for peace."

A month ago, the Washington Post reported that a private USAID assessment concluded that: security issues have made it "almost impossible" to manage some programs in much of the country and "security risks will remain high for the foreseeable future."

The U.N. Peacekeeping Force is limited to operating in Kabul; the Afghanistan National Army is years away from being an effective force; and there are too few U.S. troops to bring order to many of the outlying areas. We are told there is talk of a NATO force, but so far it seems to just talk—talk.

In the meantime, the Karzai government is increasingly seen as incapable of wielding authority outside of Kabul. I assume you saw last Sunday's NY Times Magazine article about the continuing power of Afghan warlords. Aren't you concerned that this is undermining USAID's ability to rebuild the country? Shouldn't the United States be showing more muscle against the warlords, to back up the central government and keep reconstruction efforts in Afghanistan moving forward?

Answer. The security situation continues to be a constraint and has hampered the development and reconstruction efforts. For example, demining on the highway had to stop for a couple of weeks because of attacks against the deminers. Security problems will continue to impact reconstruction efforts and are a serious concern for the upcoming elections. USAID staff are not able to visit and monitor projects without being accompanied by armed security guards, or in some cases, the military. This can also impact the monitoring of project implementation.

#### AFGHAN MINISTRY OF EDUCATION

*Question.* What is USAID doing to support the Afghan Ministry of Education? Are you providing training and equipment, so it can begin to do its job?

Answer. USAID has recently awarded an \$18.5 million contract to Creative Associates International, Inc. (CAII), to implement the "Afghanistan Primary Education Program" (APEP). This program supports the Ministry of Education (MOE) by providing textbooks for the current academic year, teacher training, radio-based distance education for teachers and accelerated learning opportunities for girls and boys who were denied educational opportunities under the Taliban. In addition, USAID fielded an education advisor to work with the ministry and assist with curriculum revision and other activities to support capacity development at the ministerial level. CAII is providing assistance to the MOE with budgeting, planning, and data collection and analysis. USAID, working with the University of Nebraska at Omaha and other partners, provided 15 million textbooks for Afghan children for the opening of schools last year. The University of Nebraska is also continuing with teacher training. USAID has also committed to building 1,000 schools over the next three years.

#### AFGHAN MINISTRY OF WOMEN'S AFFAIRS

*Question.* What about the Ministry of Women's Affairs (MOWA)? Are you helping to build its capacity, so it can work to address the needs of women who have been so repressed?

Answer. Immediately upon reopening the Kabul Mission in January, 2002, USAID fielded a Gender Advisor, who works closely with the Minister in planning activities, and initiated repairs to the MOWA headquarters. USAID is also working with MOWA on its financial management systems. USAID is funding the construction of 18 women's centers in Afghanistan, one in each province, thereby covering over half the country. We are also developing programs for these centers whereby women can come together and learn basic technical and vocational skills. In addition to supporting the Ministry of Women's Affairs, USAID has integrated gender issues into its programming, so that it can address the needs of women. USAID believes that the MOWA should work to increase the capacity of relevant ministries to mainstream issues that are relevant to women. We are concerned that strengthening the MOWA alone will not ensure programs effectively targeting women and girls are incorporated in the development agenda of the TISA.

#### PEOPLE WITH DISABILITIES IN IRAQ

*Question.* As you may know, I have been a long-time advocate for the rights of people with disabilities and was one of the main authors of the American with Disabilities Act. It is very important to me that any reconstruction supported with U.S. funding be accessible to people with disabilities and allow them to equally participate in civic and community life. As I am sure that you will agree, it is critical that at this crucial period in Iraq and Afghanistan where the people in these two nations are rebuilding their futures, all voices be heard. It is my hope that the Administration has given this some thought and I would be eager to learn what the short-term and long-term plans USAID has developed to address this important issue? I use to term reconstruction to mean both physical structures and civil society.

Answer. USAID's policy regarding people with disabilities stresses the inclusion of people who have physical and mental disabilities and those who advocate and

offer services on behalf of people with disabilities. This commitment extends from the design and implementation of USAID programming to advocacy for and outreach to people with disabilities. USAID's short-term plan has been to highlight this policy to our private sector partners, especially before starting rehabilitation evaluations of public facilities such as schools, hospitals and airports.

USAID is also supporting \$40 million in program funding to U.N. agencies, including UNICEF, and NGOs including the American Refugee Committee, CARE, Goal, IMC, IRC, Mercy Corps, Save the Children/U.S., and World Vision. The programs focus largely on Iraq's most vulnerable populations, which include people with physical and mental disabilities.

#### USAID PROGRAMS ENGAGING ISRAEL IN DEVELOPMENT ACTIVITIES

*Question.* The United States and Israel are in the last stages of terminating a program called CDR/CDP that has been remarkably effective in spreading Israeli technology and its unique agricultural advances to nations in Africa, Asia and, particularly, in Central Asia. With the increased AID focus on decentralization of aid programs, is there anything that could be done to encourage our AID missions to utilize the special expertise Israel brings to rural development in the developing world?

*Answer.* First, a clarification will be helpful. CDR (the Cooperative Development Research program) and CDP (the Cooperative Development Program) are two distinct programs. Only the CDP is in its final year of funding. CDR continues to be funded centrally at a level of \$1.5 million per year.

The Cooperative Development Research Program (CDR) has been an effective way of partnering researchers from developing countries in the Middle East, Africa, Asia, and Latin America with Israeli scientists. In addition to agriculture, research teams who have competed successfully for peer-reviewed grants have focused on projects in health and the environment.

In recent years, the CDR Program has included a special initiative that enabled scientists in the Central Asian Republics to partner with Israeli and U.S. researchers. Due to a funding decision made by the regional mission in the Central Asian Republics, this special CDR program will no longer continue.

The Cooperative Development Program (CDP) received its last allocation of central funding in fiscal year 2003. This program was designed to enable the Israeli development program, MASHAV, an arm of the Ministry of Foreign Affairs, to work with partners in developing countries on agricultural issues and to provide training on a variety of subjects in Israel. After many years of successful expansion and the commitment of about \$75 million, it was agreed that central funding from USAID for this Program was no longer needed. However, USAID missions have been encouraged to continue working with MASHAV, in areas where they and their partner institutions have great strength. USAID/Central Asian Republics has been one of the missions that has done so, starting in fiscal year 2001. The program in the region has involved agriculture, health, and agribusiness. The Mission-funded agreement runs until the end of fiscal year 2005.

#### IOWA UNIVERSITY REQUESTS

*Question.* Over the past several years, a few universities and colleges in Iowa have submitted proposals to USAID for funding. They have been frustrated by the endless bureaucracy and the lack of a transparent process wherein all universities and colleges that are interested in pursuing possible USAID funding would be fully informed in a timely fashion about submitting their proposals and supporting rationales to the appropriate USAID office(s) for peer review and merit-based decisions on which proposals would be funded. Furthermore, the Committee has pointed out this problem to USAID and has urged action on this issue in previous reports yet this continues to be a problem. What steps, if any, are being taken by USAID to address this problem?

*Answer.* Two years ago USAID established a Higher Education Community (HEC) Liaison position in its Office of Education in the Bureau for Economic Growth, Agriculture and Trade. Martin Hewitt now serves as the HEC liaison and is the key point of contact for universities seeking information and advice on the opportunities and programs within USAID.

For tracking and management of unsolicited concept papers and proposals, the HEC Liaison is supported by a working group within the Agency. This working group is composed of representatives from the regional and technical bureaus. The working group shares the responsibility for either reviewing the proposal in the regional or technical office (if the proposal is technical or sector specific with no country cited) or for distribution to a USAID Mission (if the proposal is explicit regarding a country where the planned activity will be conducted). The working group shares

the responsibility for tracking the status of higher education proposals with the HEC Liaison. The group communicates frequently to ensure that the improvements in procedures and information flow are achieving their desired results.

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Following is the status of university proposals mentioned in the House and Senate Reports (June 23, 2003):

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**Summary:**

(1) 54 percent of proposals mentioned in the House and Senate Reports have been received.

(2) 46 percent of proposals received have been funded.

(3) 32 percent of proposals received have been rejected.

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The 17 successful proposals were approved because they met the review criteria contained in USAID's brochure and website U.S. Higher Education Community: Doing Business with USAID. The criteria include two, which bear on the proposed activities' consistency with foreign policy and development goals. They are: the extent to which the proposal supports USAID's mandate and objectives, and the anticipated long-term impact of the project and the nature of the on-going relationship between institutions.

The major reason that the twelve proposals were rejected included:

- The failure to meet or support USAID's mandate or objectives in the country, region, or sector
- The duplication of ongoing efforts
- Budget limitations in targeted bureaus, countries
- Lack of technical merit

In each case where proposals were rejected, a letter was sent to the applicant informing them of the reasons why the proposal was not accepted.

As for the four proposals from the two Iowa Universities (the University of Iowa and Northern Iowa University) cited in the University Proposals section of the Senate and House Reports, one proposal was accepted (Northern Iowa—\$272,000), one was supported by the Department of State (Northern Iowa University), and two were rejected (the University of Iowa and Northern Iowa University).

## QUESTIONS SUBMITTED BY SENATOR MARY L. LANDRIEU

## COMMITMENT TO AFGHANISTAN

*Question.* Is the United States committed to a long-term presence in Afghanistan? Are we dedicating enough funds to Afghanistan? What areas are deserving of greater support and attention? How many years do you anticipate USAID's involvement?

*Answer.* As President Bush has stated, the United States is committed to Afghanistan for the long-term and that includes USAID. With Administration and Congressional support, USAID intends to stay in Afghanistan as long as we have a role to play in assisting the Afghans recover from years of war, drought, and underdevelopment. The needs of Afghanistan have far outstripped donor resources. However, the United States has been, and will continue to take a lead role in delivering reconstruction assistance in many of the most critical areas. Since September 11, USAID alone has programmed nearly a billion dollars in assistance.

More needs to be done to rejuvenate Afghan livelihoods to include job creation in both traditional (e.g., agriculture) and non-traditional sectors. Afghans need to feel secure in order to invest in their and their children's future. Without a more secure environment, free of crime and corruption, reconstruction will be slowed. So the other area deserving of attention is security.

*Question.* Do you support Secretary Powell's funding goal of \$8 billion for Afghanistan?

*Answer.* I do support the Secretary's funding goal for Afghanistan.

## WOMEN IN AFGHANISTAN

*Question.* Would you support a requirement to set a percentage of aid to be directed toward the advancement of Afghan women or be conducted by women-led relief organizations?

*Answer.* This Administration, as well as prior ones, does not seek or encourage earmarks, however well-intentioned. USAID's approach to assisting Afghan women is to incorporate them into all our programming, with a special emphasis on their most critical needs, rather than promote specific set-asides. The most critical need of Afghan women is improvement in healthcare. Afghanistan has the highest maternal mortality rate in the world along, with Sierra Leone. Many of these deaths are preventable. USAID's \$133 million (over 3 years) health program focuses on maternal/child health in the rural areas where 80 percent of Afghanistan's population live and where there are completely inadequate health services for women.

The second most critical need is education. USAID's \$60 million education program (over 3 years) emphasizes drawing girls back into school including construction of girls-only schools; accelerated learning programs for girls who missed out on education under the Taliban; and other incentives, such as cooking oil to families that send their daughters to school.

Both the health and education components include job creation opportunities (teachers and community health workers) for women. USAID's agricultural programs are seeking to expand income generation opportunities to women, such as food processing and vegetable gardens. We have worked with a number of Afghan women-led groups and we look forward to continuing and expanding these relationships.

## ENHANCING WOMEN'S ROLE IN AFGHAN SOCIETY

*Question.* What are we doing to ensure Afghan women will have a direct role in society?

*Answer.* USAID is supporting activities in women's education, employment, and women's centers which empower them to assume a more direct role in society. Below we provide specific activities, with funding amounts, in each of these areas:

## Education/Training for Afghan Women and Girls:

—Assistance in 2002 school year: Trained 1,359 teachers, 907 of whom were women, and printed 15 million textbooks for 2002 school year, contributing to an increase in girls' enrollment from 90,000 under Taliban in 2001 to 900,000 in 2002 school year. (Total project funding including teacher training and textbook printing: \$7,709,535) Reconstructed 142 schools, daycare centers, teacher training colleges, and vocational schools. (Total activity funding approximately: \$5.5 million) In addition, USAID provides a food salary supplement to 50,000 teachers equal to 26 percent of pay. (Total USAID food aid funding in fiscal year 2002: \$158,600,000; Total USAID food aid funding to date in fiscal year 2003: \$42,662,800)

—Assistance in 2003 school year and going forward: USAID printed and distributed 10.7 million textbooks for 2003 school year. Early indications show about

a 30 percent increase in enrollment over 2002; many of these new students are expected to be girls, which will be known with greater certainty when the enrollment survey is completed in summer 2003. USAID's new education program will support accelerated learning programs for up to 60,000 children, mostly girls that missed education under the Taliban. USAID intends to rebuild between 1,000–1,200 schools, benefiting 402,000 students, over three years. In addition, USAID continues a food salary supplement to 50,000 teachers equal to 26 percent of pay. (Education budget is \$60.5 million over three years; \$7.41 million has been obligated to date)

- Food-for-Education Program: Through WFP, USAID is supporting distribution of food to schoolchildren in several districts of Badakhshan Province, in north-eastern Afghanistan. Approximately 27,000 children and 1,500 teachers and service staff in 50 schools have received a four-month ration of wheat flour. Under this program, girls receive five liters of vegetable oil every month as an extra incentive for regular school attendance. The program increases school attendance, reduces dropout rates, and encourages families to send girls to school.
- Through the Afghan NGO, ACBAR, USAID supports a program to encourage Afghan women and girls to read by hosting reading classes and improving the country's libraries. The staff of nine libraries within eight provinces is receiving training and supplies of books. (Total activity funding: \$61,180)

#### Employment for Afghan Women:

- Widow's Bakeries: USAID supports the World Food Program's (WFP) 121 Widow's Bakeries in Kabul, Mazar, and Kandahar. In Kabul, the bakeries provided 5,000 children with fresh bread in school. Overall, through employment and provision of subsidized bread, WFP reports that 200,000 urban vulnerable people benefited from this program in CY 2002. USAID support represented over half of WFP's CY 2002 budget in Afghanistan.
- Daycare Centers: Seventeen centers have been built for Government ministries and offices to enable women to return to work. (Total activity funding: \$151,506)
- Women's Entrepreneurship: Through USAID's work with the Ministry of Finance in trade and investment promotion, USAID has written an action plan, approved by Minister of Finance Ghani, which includes: capacity building for women in all areas of trade, including export promotion, administrative trade barrier issues, licensing, and small and medium business development.
- Income Generation Opportunities: Some examples include:
  - 3,200 women, primarily widows, receive approximately \$30 for 15 days work, producing clothing and quilts in three women's centers in Charikar, Taloqan, and Maimana (\$2/day is also the typical wage for male labor). In addition, the women receive basic health education and some English training while working in the centers.
  - The women of northwestern Afghanistan are receiving tools and materials to generate their own income through activities such as growing kitchen gardens, embroidering, producing cheese and yogurt and crafting shoes. (Total activity funding: \$51,072)
  - 400 women returnees in the Shomali, an area devastated by the Taliban's ruin of its household poultry stock, have received 10 breeding chickens each to generate family income.
  - 100 women, mostly widows, employed in raisin processing in Kandahar.
  - Rehabilitation of the offices of the NGO, ARIANA so they can provide vocational training to 1,800 women. (Total activity funding: \$12,470)
- Women's Employment through USAID's Major Agriculture and Rural Incomes program (RAMP): Agriculture employs 70 percent of Afghanistan's labor force, and Afghan women play a large part in agriculture, especially in raising livestock. RAMP will improve the technical capacity of Afghans for raising livestock. RAMP will also provide women entrepreneurs with innovative opportunities for credit and business training. This activity will be particularly helpful for women-headed households, which are among the most vulnerable in Afghanistan.

#### Afghan Women's Centers:

- USAID built and furnished the first Women's Resource Center. (Total activity funding: \$60,000) USAID is currently engaged in building and providing programming for seventeen women's centers throughout Afghanistan. Three of these are currently under design in Jalalabad, Samangan, and Taloqan. (Total activity funding: \$2.7 million) The Ministry has recently identified 14 more sites for USAID to build and furnish centers. (\$2.5 million obligated in fiscal year 2002 Supplemental funds) In addition, USAID will fund programming for the

centers, e.g., health education programs, daycare, etc. (\$5 million of fiscal year 2003 funds to be obligated early this summer)

Lastly, improved women's health is strongly linked to the ability of Afghan women to assume a more direct role in society. One of the central goals of the three year, \$100 million REACH program is to reduce Afghanistan's high maternal mortality rate. The program will accomplish this goal by building 400 new clinics and funding performance grants to NGOs to provide a basic package of health services, particularly in rural areas, where medical care is most scarce. A major component of this program will be to increase women's access to skilled birth attendants and essential obstetrical services through an extensive training program. The first obligation for REACH is expected in the first week of May.

#### IRAQ RECONSTRUCTION BUDGET

*Question.* What is the total reconstruction budget for Iraq—including funds seized from Iraqi assets?

*Answer.* This question is most appropriately addressed to the Department of Defense. USAID is using congressionally appropriated IRRF funds to provide rapid improvements to the quality of life in Iraq.

*Question.* Congress recently provided \$2.5 billion in the emergency supplemental for relief and reconstruction in Iraq. While USAID does not control the funds, how much has been disbursed and how much do you anticipate USAID to receive for reconstruction programs?

*Answer.* USAID expects to receive \$1.1–\$1.3 billion for the reconstruction effort and \$500 million for relief. As of July 9, \$361 million was obligated for reconstruction and over \$107 million has been expended.

*Question.* Have all USAID accounts that were “borrowed from” for pre-positioning supplies in Iraq been reimbursed?

*Answer.* Yes, all the “borrowed” funds have been reimbursed by OMB.

#### IRAQ RECONSTRUCTION

*Question.* In Iraq, what is your role?

*Answer.* The USAID Administrator provides day-to-day executive direction and leadership on Agency programs and management operations to ensure a fast-paced relief and reconstruction effort. As in other countries, USAID/Iraq is led in the field by a Mission Director, Lewis Lucke, who reports to the Assistant Administrator of the Asia and Near East Bureau, Ambassador Wendy Chamberlin. Ambassador Chamberlin reports to the Administrator.

*Question.* How many USAID staff are in Iraq? How is the security environment there affecting their ability to work? Is it true that USAID's Iraq Mission Director is actually living in Kuwait, because it is to unsafe to work effectively in Baghdad?

*Answer.* As of July 8, USAID had 71 staff working in the region in support of USAID's Iraq programs. Of the 71 personnel, 35 are physically in Iraq. This number is limited by communication links and billeting space. There continue to be security incidents which limit the effective delivery of services, materials, and supplies. USAID's Iraq Mission Director is now working primarily in Baghdad. USAID has had full-time staff in Baghdad since April 23.

*Question.* What plans do you have for increasing the number of USAID staff there?

*Answer.* USAID recognizes the importance of providing robust oversight of appropriated funds. USAID's Asia and Near East Bureau has prepared an initial mission structure that is under review, which proposes 16 U.S. Direct Hire and a number of contract and Foreign Service National staff.

*Question.* Recently, Sec. Rumsfeld said we will stay in Iraq only as long as necessary, and not a day longer.

Is the United States committed to a long-term presence in Iraq to establish peace and security? Wouldn't a short-term departure only allow the forces of fanaticism and fundamentalism to re-emerge?

*Answer.* USAID is focused on addressing immediate reconstruction requirements in Iraq and meeting the essential targets established for each sector in which it works. USAID expects to fully spend its portion of the Iraq Relief and Reconstruction Fund (IRRF) by September 2004 and is prepared for a long-term presence should the Administration make that decision.

*Question.* Are we dedicating enough funds to the reconstruction of Iraq? (\$2.4B in the Supplemental with no request in fiscal year 2004)? After all, the Marshall Plan had a price tag of \$88B in today's dollars. Can we expect future supplementals and money in the fiscal year 2005 request to fund Iraqi reconstruction?

Answer. USAID is prepared to implement a longer-term program should the President request additional resources from Congress.

*Question.* What are we doing to ensure Iraqi women will have a direct role in society—to vote, work, go to school, and serve in the new government? Would you support a call to require that a set percentage of aid be directed toward the advancement of Iraqi women, or be conducted by women led relief organizations?

Answer. USAID-supported gender programs include provisions for the hiring of female staff to work with vulnerable women, including as traditional birth attendants and for assessments; food and potable water support for war-affected women of childbearing age; and the construction of gender-specific latrines for internally displaced persons.

USAID is planning to put into place in Iraq up to two major micro-finance lending institutions. USAID's experience elsewhere shows that such institutional lending goes predominantly to women to start small enterprises. The loans are typically small loans around \$50 to \$300. These women entrepreneurs will be able to borrow privately. USAID is also planning to implement a macro economic program to bolster economic growth in Iraq.

Regarding education, USAID will be developing an accelerated learning program for youth who have dropped out of school. Of these children, a majority are girls, and this program will be designed to get them back to school at the appropriate educational level. Second, through the water and sanitation program, USAID will ensure there are sanitary facilities for girls in schools, which will encourage girls to come back to school and increase the rate of girl's enrollment.

*Question.* Humanitarian relief organizations still report difficulties in delivering aid to the Iraqi people. Only after people have food and shelter, will the Iraqis truly see America as wanting to liberate Iraq, and not occupy Iraq. What steps are we taking to make the delivery of humanitarian supplies as efficiently as possible?

Answer. The U.S. Government has supported the United Nations World Food Program with cash, Public Law Title II food commodities and Emerson Trust food commodities in the amount of \$480,033,000. With these and other resources, the World Food Program (WFP), in partnership with Iraq's Ministry of Trade, has reestablished the Public Distribution System and successfully completed the June ration distribution nationwide. More than 400,000 metric tons of wheat flour, rice, oil, pulses, infant formula, sugar, tea, soap and detergents have been distributed internally to approximately 26 million Iraqi beneficiaries.

Distributions for the month of July have already begun and the Ministry of Trade has publicly announced the July ration through television, radio and print media.

By supporting WFP, the United States has helped assure the delivery of more than 758,128 metric tons of food commodities to Iraq from neighboring countries for the month of June. This is equal to a food pipeline of more than 1,000 metric tons entering Iraq per hour, 24 hours a day, seven days a week, sustained for a period of 30 days. To assure rapid delivery to all points in Iraq, the program is using the transportation corridors in Turkey, Jordan, Syria, Iraq (through Umm Qasr port), Kuwait and Iran.

The WFP program is planned to continue through the month of October 2003.

#### USAID/DOD RELATIONSHIP IN IRAQ RECONSTRUCTION EFFORTS

*Question.* The reconstruction effort in Iraq is being headed up under the DOD's Office of Reconstruction and Humanitarian Assistance (ORHA). Congress appropriated \$2.48 billion for reconstruction and humanitarian aid in the supplemental bill earlier this spring. USAID has traditionally been the government agency to manage reconstruction and humanitarian assistance.

What is the relationship between USAID and ORHA? Does USAID have sufficient input with ORHA so that reconstruction and humanitarian efforts are efficient and expedient? Is ORHA interested in USAID's expertise and history in the international development business?

Answer. USAID maintains a close and productive relationship with ORHA and its successor, the Coalition Provisional Authority (CPA). All projects are approved by Ambassador Bremer and CPA's Program Review Board before being sent to OMB and notified to the Congress. USAID closely coordinates in the field with military civil affairs officers, CPA civilian staff and Iraqis.

#### AIDS IN EASTERN EUROPE AND FORMER SOVIET UNION

*Question.* This year, the President requests only \$1.2 million for HIV/AIDS initiatives in Eastern Europe and \$15.4 million in the Former Soviet Union. I have been to Romania three times. I know the horror stories of the mother-to-child trans-

missions and the HIV orphans. The AIDS problem is very real in Eastern Europe and the Former Soviet Union.

The problems in Eastern Europe and the Former Soviet Union may not be as serious as those found in Africa, but how can we provide any effective treatment in Eastern Europe and the Former Soviet Union with such small funding allocations?

Answer. Your concerns about HIV/AIDS in the Europe and Eurasia (E&E) region are well founded. Though overall prevalence in E&E is low, the world's steepest rise in new HIV infections is in this region, particularly Russia and Ukraine. The epidemic is driven primarily by injecting drug use and exacerbated by a host of factors including increased rates of sexually transmitted infections, cheap drugs, expanded prostitution, and human trafficking.

The Administration has recently re-emphasized its commitment to combating HIV/AIDS in the E&E region, including a report by the National Intelligence Council, two Chiefs of Mission meetings in Kiev and Moscow, and a strong statement by Secretary Powell in Moscow in May.

USAID's commitment to combating HIV/AIDS in E&E is demonstrated by our Agency maintaining levels of HIV/AIDS funding in the face of overall decreases in the FREEDOM Support Act and SEED Act accounts. In the E&E region, total HIV/AIDS funding for fiscal year 2003 is expected to total \$19.4 million (\$11.6 million from the FREEDOM Support Act account, \$1.8 million from the SEED Act account, and \$6.0 million from the Child Survival and Health account.) A slight increase is anticipated for fiscal year 2004.

At the present time, locally funded programs and those supported by USAID and other donors are reaching only a fraction of the high risk groups that must be reached if the epidemic is to be controlled. Of course, more resources for HIV/AIDS could be put to good and immediate use in Europe and Eurasia. However, it would be a mistake to shortchange other urgent health needs such as tuberculosis in order to plus up HIV/AIDS funding. Consequently, USAID continues to strive to use our scarce HIV/AIDS resources in the most effective ways possible. In the priority countries of Russia and Ukraine, USAID missions are finalizing revised HIV/AIDS strategies, and the Agency is taking a fresh look at regional E&E programs as well. USAID will continue to focus on prevention programs directed at those most at risk—while also expanding our programs of treatment, care and support. Programs to prevent maternal to child transmission have already demonstrated their effectiveness. The U.S. Government also must continue to urge the leaders of Europe and Eurasia to engage the HIV/AIDS epidemic with increasing vigor.

Given our budget realities, USAID is working to leverage other non-U.S. Government resources. With USAID technical assistance, twelve E&E countries have been awarded nearly \$250 million in grants from the Global Fund Against HIV/AIDS, Tuberculosis and Malaria.

While USAID will continue to focus its global HIV/AIDS resources in high prevalence countries outside of Europe and Eurasia, I agree with you and want to underscore the need to aggressively address the epidemic in Europe and Eurasia now, before the window of opportunity slams shut. I echo the theme of the Kiev Chiefs of Missions meeting when I say that low prevalence should not mean low priority.

#### FUNDING FOR ROMANIA

*Question.* Mr. Natsios, I am pleased to know you recently returned from Romania. Romania is a country that has overcome a repressive dictatorship to hold four national elections and implement market reforms. Additionally, Romania is poised to gain NATO admission this year. Furthermore, Romania has been a tremendous ally to the United States in Desert Storm, Kosovo, Afghanistan, and Iraq. Romania has contributed well over 1,000 troops to the war on terrorism. Moreover, Romania has made itself home to 5,000 U.S. Marines in the war on terrorism. In good times and in times of need for the United States, Romania has been more than a reliable ally.

Despite the positive steps Romania has taken, Romania still requires our assistance to make its economic reforms, child-welfare reforms, and democratization efforts fully take hold, not just spread a few feeder roots.

Why are we cutting development funds [from] Romania, a reliable ally, at a time when they need our assistance to solidify their reforms?

Answer. We agree that much still needs to be done in Romania, and we are making excellent progress, despite very limited resources. Although the Administration initially debated setting a graduation date for Romania, none has been established. The current plan for U.S. assistance to Romania calls for maintaining present funding levels of about \$28 million annually (or perhaps modestly increasing that level) through fiscal year 2008. Despite significant improvements by Romania over the past two years in macro-economic performance, economic reform and democratiza-

tion, Romania still has much to do to improve its governance, transparency and other development and transition objectives. We will continue to monitor Romania's progress toward graduating from U.S. assistance to see whether a date can be set to end U.S. bilateral assistance funding.

*Question.* How do you determine when a country "graduates" from USAID assistance? Is it common to permit countries to "graduate" with incompletes? The Millennium Challenge and your testimony state that we are committed to those countries headed in the right direction and assisting us in the war on terrorism. It seems Romania has taken all the right steps, only to be undercut by the United States. We let Romania down after WWII and allowed the Soviets to take-over. Let's not do so, again.

*Answer.* The date for graduation from U.S. assistance is set when our analysis finds that a country is expected to be able to sustain progress towards democracy and an open market orientation without substantial further U.S. Government assistance. The analysis includes a review of country-specific program indicators designed to define graduation potential, standardized indicators of country progress, and a wide range of consultations with various USG agencies and political leaders. Even after graduation, a country may receive relatively small amounts of assistance from bilateral funding or regional funds to help it redress limited areas where deficiencies persist.

In at least one of the eight countries where bilateral SEED funding ended, there was controversy over whether the graduation targets had been achieved. In that case and several others, some USG assistance continued, albeit at levels significantly below those before graduation. All countries where USAID bilateral missions have closed are now considered to have progressed beyond the need for further substantial SEED assistance.

#### USAID DISASTER ASSISTANCE RESPONSE TEAMS

*Question.* The USAID has dispatched DARTs to Iraq.

How many DARTs are there in Iraq? How many people comprise a DART? What are the responsibilities of DARTs? Are the DARTs spread geographically throughout Iraq, or are they centralized in Baghdad?

*Answer.* There is one Disaster Assistance Response Team (DART) in the Persian Gulf region, which is divided into four regional teams. All members of each team are a part of the same DART.

The size and responsibilities of a DART vary depending on the type, size, and complexity of disasters to which the DART is deployed. USAID's Office of U.S. Foreign Disaster Assistance (OFDA) developed the DART as a method of providing rapid response assistance to international disasters, as mandated by the Foreign Assistance Act. A DART provides an operational presence on the ground capable of carrying out sustained response activities. This includes coordinating assessment of the situation, recommendations and advice on U.S. Government response options, and funding and management of on-site relief activities.

As of July 9, 2003, there are a total of 27 DART members in the Gulf region. Of these 27 DART members, 19 are in Iraq, including 10 in Baghdad, 6 in Arbil (northern Iraq), and 3 in Al Hillah (central Iraq). In addition, eight DART members are located in Kuwait City. These numbers fluctuate as the DART members travel and respond to needs in the region.

#### FUNDING FOR MICRO-ENTERPRISE

*Question.* The fiscal year 2004 budget request seeks \$79 million for funding of micro-enterprise efforts globally. \$79 million was funded in fiscal year 2002 and fiscal year 2003, so there has been no increase in funding for a program that produces great results.

How many countries is USAID involved in micro-enterprise efforts? How does USAID determine how long it will fund micro-enterprise in a country before focusing efforts on a new country? What countries are in the pipeline to receive micro-enterprise assistance?

*Answer.* In fiscal years 2002 and 2003, USAID funded micro-enterprise activities in about 50 countries in the Africa, Latin America and Caribbean, Asia and Near East and Europe and Eurasia regions. USAID obligations over the last 3 years, from all funding accounts, have a generally averaged around \$150 million. In fiscal year 2001, our obligations were at \$158 million. In fiscal year 2002, the funding level exceeds \$170 million. Most of USAID's micro-enterprise programs range from 3 to 5 years, depending on the nature of the activity.

Institutional development programs tend to take longer; policy reform efforts usually are somewhat shorter. In some countries, there have been numerous micro-en-

terprise projects. Countries such as Bolivia, Honduras, Mali, Kenya, Bangladesh, Indonesia, for example, have had micro-enterprise projects since the 1980's. In the coming year, USAID is planning to undertake micro-enterprise activities in some new countries, such as Afghanistan, Yemen and Iraq.

UNIVERSITY FUNDING DIRECTIVES

*Question.* Over the past three years, this Committee has included several Committee directives on funding requests for Universities within the Bilateral Economic Assistance Account. To my knowledge these directives have not been followed. In fact, this Committee has included strongly worded language directing the Committee to adhere to these funding initiatives, but still to no avail.

Why does USAID continue to ignore this Committee's directives? In particular, why has USAID not funded the following Louisiana State University programs, which have received commendation from this Committee—the Emergency Management Program, the Namibia Mariculture Program, and the Latin American Commercial Law Program?

*Answer.* USAID has not ignored the Committee's directives. Two years ago USAID established a Higher Education Community (HEC) Liaison position in its Office of Education in the Bureau for Economic Growth, Agriculture and Trade. Martin Hewitt now serves as the HEC liaison and is the key point of contact for universities seeking information and advice on the opportunities and programs within USAID.

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—The failure to meet or support USAID's mandate or objectives in the country, region, or sector

—The duplication of ongoing efforts

—Budget limitations in targeted bureaus, countries

—Lack of technical merit

In each case where proposals were rejected, a letter was sent to the applicant informing them of the reasons why the proposal was not accepted.

As regards the three Louisiana State University programs which you cite:

1. The Namibia Mariculture Program. This proposal was rejected because the Namibia Mission was at the time scheduled for closing.

2. The Latin America commercial law program. This proposal has not been received. USAID called Louisiana State in January and was informed that the University might send a proposal. To date no proposal has been received.

The other Louisiana State University program cited in the Foreign Operations Report is: A proposal to provide independent media training to local government officials from developing countries. This proposal has not been received.

HIV/AIDS IN AFRICA

*Question.* Within the armies and militias in West and Central Africa and particularly in the Democratic Republic of Congo, Angola, and other areas of recent and current conflict, HIV/AIDS has a higher prevalence within the soldier population than in the general population. This is a particular problem with "child soldiers". USAID has few programs that directly interface with this important sector of African society. How can USAID work more effectively to integrate intervention strategies with those entities that deal with active and demobilizing military groups? Is a policy or legislative change necessary to permit USAID to work directly with host country military personnel? Is USAID considering working with universities and the West African Health Organization (WAHO) to address the HIV/AIDS crisis within the military and former military populations in Africa? After all, WAHO is the only ECOWAS endorsed organization able to deal with complex regional, individual and organizational change. Has USAID contemplated giving support to increase the institutional strength of WAHO in order to create a coordinated and sustainable long-term solution to the problem?

*Answer.* USAID currently supports this newly constituted organization through its West Africa regional program. USAID is building the capacity of WAHO through technical assistance to develop a new agenda for health in West Africa, training in strategic planning and program design.

*Question.* The United States is committing unprecedented funds, along with the United Nations and the Global Fund, to combat HIV/AIDS in Africa. That is encouraging news, but we are already seeing a shortage of available international public health workers. The additions of retro-virals to the existing public health program, which require an even higher level of management, create further demands. Even where we have cheap effective reliable drugs to deal with the disease, as in the case of malaria, the lack of human and physical health infrastructure cripples intervention efforts. There needs to be a program to create trained American and African intervention management specialists of enormous size to manage this problem. What plans does USAID have in mind to reinforce and strengthen African educational institutions to rapidly respond to this set of challenges?

*Answer.* USAID is currently developing a human capacity strategy to address the extreme shortage of the trained personnel needed to mount a sustained response to the HIV/AIDS pandemic. This plan will include expanding the capacity of African

educational institutions to provide additional training to existing cadres of health workers as well as developing pre-service training for new health professionals, and manpower planning for national and local governments.

*Question.* Given the millions killed during the Congo/Rwanda conflict, the many people with HIV/AIDS, and, particularly, the number of demobilizing HIV positive “child soldiers” in the country, why isn’t the Democratic Republic of Congo (DRC) on the target list of countries for major intervention efforts by the United States? Given the leading role of that country from the first days of the pandemic and the number of trained, senior research and public health specialists working in Kinshasa, which I understand is more specialists than the rest of Africa, this seems to be a contradiction. Does USAID have any plans for responding to the needs of the Democratic Republic of Congo, major strategic country in Central Africa?

*Answer.* USAID is committed to addressing the HIV/AIDS pandemic in the Democratic Republic of the Congo (DRC). This commitment is reflected in the HIV/AIDS fiscal year 2004 control level of \$5,000,000, which constitutes a 25 percent increase over the fiscal year 2003 HIV/AIDS funding level of \$4,000,000. USAID’s response to the HIV/AIDS epidemic in DRC takes into account the fact that HIV transmission is fueled by war-related factors.

#### CONCLUSION OF HEARINGS

Senator McCONNELL. Thank you all very much for being here. That concludes our hearings.

[Whereupon, at 3:24 p.m., Thursday, June 5, the hearings were concluded, and the subcommittee was recessed, to reconvene subject to the call of the Chair.]



**FOREIGN OPERATIONS, EXPORT FINANCING,  
AND RELATED PROGRAMS APPROPRIATIONS  
FOR FISCAL YEAR 2004**

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

NONDEPARTMENTAL WITNESSES

[CLERK'S NOTE.—The subcommittee was unable to hold hearings on nondepartmental witnesses. The statements of those submitting written testimony are as follows:]

PREPARED STATEMENT OF THE ALLIANCE TO SAVE ENERGY

INTRODUCTION

My name is David Nemtsov. I am the president of the Alliance to Save Energy, a bi-partisan, non-profit coalition of business, government, environmental, and consumer leaders dedicated to improving the efficiency with which our economy uses energy. Senators Charles Percy and Hubert Humphrey founded the Alliance in 1977. The Alliance is chaired by Senator Byron Dorgan (D-ND) and co-chaired by Dean Langford the former CEO of Osram Sylvania Inc. Our vice-chairs are Senators Susan Collins (R-ME), Jeff Bingaman (D-NM), Jim Jeffords (I-VT) and Representative Edward Markey (D-MA). Over 75 companies and organizations participate in the Alliance's Associates program and with your permission, Mr. Chairman, I would like to include for the record a complete list of the Alliance's Board of Directors and Associates. This list includes the nation's leading energy efficiency firms, electric and gas utilities, and many other companies committed to promoting sound energy use.

The Alliance has a long history of designing and evaluating energy efficiency programs in the United States and abroad. We also have a history of supporting efforts to promote energy efficiency that rely not only on mandatory federal regulations, but on partnerships between government and business and between the federal and state governments. The Alliance to Save Energy strongly supports the energy efficiency programs at the U.S. Agency for International Development (USAID) and appreciates the Subcommittee's past support of these valuable activities. We believe that USAID plays a vital and unique role in supporting efforts to promote the development of sustainable energy policies in developing and transitional countries. USAID's funding for energy efficiency, renewable energy, and power sector reform not only helps to leverage millions of additional dollars in foundation, development bank and other federal agency support, but also spurs the transfer of energy-efficient technologies and services overseas. By working with the private sector to design and implement policies that break down barriers to energy efficiency activities, USAID has been instrumental in helping the U.S. companies enter new markets and further increase sales of their products.

The Alliance has had a great deal of success developing private-public partnerships in countries such as Brazil, India, Mexico, Ukraine, Serbia, and Ghana, often working with USAID. Our work has clearly proven the USAID premise that a strong institutional framework for energy efficiency in developing countries creates jobs, reduces costs, and protects the environment.

Unfortunately, despite these successes there is an alarming trend in funding for vital energy efficiency program support at USAID. During the past few years the clean energy programs, represented first in the Office of Energy and now in the En-

ergy Team within the Office of Energy and Information Technology, have received a cut in funding—with the fiscal year 2004 request (\$8 million) cut to 50 percent of the fiscal year 2001 (\$16 million) funding. Not only are these programs expected to continue to provide the technological support and strategic leadership to the field, as they have successfully for years. These important programs cannot continue their valuable work without appropriate funding. We urge Congress to fully fund these programs, in fact return these programs to their earlier funding levels so that they can do more to improve sustainable energy use around the world.

In addition, the Global Environment Facility (GEF) plays an important role in funding energy efficiency. In addition to increasing energy efficiency, GEF resources have helped poor countries and countries in transition conserve biological diversity, accelerate the adoption of renewable energy technologies, protect international waters and eliminate the use of ozone-depleting compounds. Tackling these critical global environmental problems is good for America and other nations and the Alliance supports its full funding.

#### WHY USAID SHOULD PROMOTE ENERGY EFFICIENCY: U.S. JOBS AND SECURITY

Energy is absolutely critical to the economic, social and security development of nations. Even conservative projections show that—if left unchecked—future global energy demand would result in impossibly high levels of local and global pollution and far outstrip any reasonable amount of investment or supply resources. High global energy demand would also mean increased energy prices to American consumers and businesses as the U.S. economy competes with others for important but limited energy resources, particularly oil. The typical policy solution to this problem is to produce more energy, and the world will have to produce more. But the option that holds the greatest potential for mitigating our long-term global energy problem is energy efficiency.

Without the strong participation of USAID, we will not come close to realizing the energy efficiency potential in transitional and developing countries. Over the past 30 years, the United States has led the world in developing the energy efficiency supply resource—while our economy has well more than doubled, our energy use has only increased by 27 percent. This is an American success story and USAID is critically positioned to work with private companies, NGOs, universities and many others to transfer this knowledge to other countries so they can use the techniques and technologies we have developed to make similar improvements.

Improving energy efficiency in transitional and developing countries benefits the United States in several ways. One, it opens up new markets around the world for U.S. energy efficiency products and technologies. USAID programs have introduced ten of thousands of international decision makers to the energy efficiency market. These efforts are creating new businesses and jobs in the United States. Two, it improves the lives and economic opportunities of people in impoverished countries, lessening the appeal of radicalism and anti-Western sentiment. Energy efficiency can provide job opportunities not only in the United States but in other countries, all the while lowering consumer energy costs and enhancing physical comfort. Three, energy efficiency mitigates global pollution in a way that actually results in more economic benefit than doing nothing at all. Once again, energy efficiency's ability to reduce pollution is a business and job winner for America.

#### DOMESTIC ENERGY SECURITY STARTS ABROAD

September 11 and the turmoil in the Middle East remind us of the importance of energy reliability and security both domestically and among our allies and trading partners. Even as we work to try to ensure our economy has adequate, reliable energy supplies, we cannot forget that the energy use of other countries directly impacts both the supply and price of our energy resources here at home.

In fact, pondering strategies to guarantee adequate energy supplies in the United States reminds us how the energy efficiency programs run by USAID help protect and enhance the economies and standard of living of developing nations around the world. It also reveals how—due to the reality of a single integrated global petroleum market—these efficiency programs directly benefit U.S. consumers: by lessening demand for oil abroad, we are helping to loosen supply and hold down price pressures domestically. Quite simply, lowered oil demand in Thailand helps truckers in Tucson. Lowered oil use in Madras helps drivers in Michigan.

Consuming countries such as the United States will only be able to protect our energy-related economic future if we can help lessen demand for oil both here and worldwide. USAID's energy efficiency programs do just that—and in doing so they help Americans as they help developing and transitional nations.

Some of the most destitute countries, lacking many of the basic energy related services USAID can help provide, are the breeding grounds for terrorists. By enabling legitimate governments to meet the needs of their citizenry through basic energy service such as clean water, refrigeration, health care, and lighting, the ensuing economic develop can go a long way in keeping potential terrorists in real jobs with a hopeful future.

#### THE ROLE OF USAID IN THE ENERGY SECTOR

Although USAID's energy programs do not often receive the visibility of the USAID's more traditional development programs, they are crucial to the goal of sustainable development in the developing and transitional world. While it is impossible to ignore the pressing physical needs of the communities USAID serves, reasonably priced, clean, and reliable energy supplies often play an equally important role in the lives of the world's needy citizens by reducing respiratory illnesses and improving access to heating, lighting, refrigeration, and water. Whether it is clean fuel for cooking in India that helps prevent some of the estimated half-million deaths per year of women and children from atrocious indoor air, electricity for refrigeration in tropical climates that provides the vital link for vaccinations, affordable heat for Eastern Europe that keeps people from freezing to death, or the energy needed to pump and clean water to satisfy the basic subsistence needs of the over 2 billion currently unserved people, energy plays a very central role in the lives of all the world's inhabitants.

Unfortunately, energy supplies in most of the world's countries are not always reliable or safe. Power plant emissions from the combustion of poor-quality coal have fouled not only the skies but the lungs of millions of Chinese; radiation from the failed Chernobyl nuclear reactor in Ukraine has sickened a generation of children; and drought conditions in many parts of Africa have left hydropower turbines quiet and cities dark. In addition, explosive economic growth in most of the developing world, especially Asia, has precipitated a surge in demand for energy supplies. Over two billion of the world's people lack access to reliable supplies of fuel for cooking or electricity for rudimentary lighting and refrigeration, and face even tougher times with large fluctuations in oil prices. Residents in some of the developing world's largest cities continue to experience rolling electricity brownouts, blackouts, and inadequate access to the power grid. These electricity shortages lead to constraints on industry and the commercial sector that stifle economic growth, limit the potential of U.S. foreign trade, and lead to further hardships from unemployment and foregone export revenues. Energy efficiency provides an attractive solution to these problems. Not only are energy conservation programs in developing countries a relatively low-cost alternative to the construction of new hydroelectric or fossil fuel plants, they can also reduce the risk of electricity shortages and increase the competitiveness of the industrial sector. The following are examples of USAID's successes.

##### *Ukraine*

In Ukraine, USAID empowers municipalities and the private sector to save energy and provide basic service to members of society most in need. Working with the city of Lviv to develop an energy management strategy, USAID worked to promote the efficiency of an orphanage and school housing many of the Chernobyl victims. Working with U.S. companies and local non-profits, the school and orphanage were weatherized and had a high efficiency boiler installed. The immediate benefit to orphans no longer needing to wear winter coats in classrooms and to the school having enough money to buy books was significant. However, the more important outcome of the project was the hundreds of other schools that have been upgraded or are going to be upgraded based on this model and the new Ukrainian companies that participated in this project now weatherize buildings all over Ukraine. Simply put, USAID helps develop replicable models and the technical capacity to carry them out.

USAID's competitive advantage over other development vehicles in the energy efficiency sphere is two-fold. USAID clearly understands the role of capacity building as the basis for any sustainable energy efficiency program and USAID also recognizes the overwhelming potential of the private sector to drive the energy efficiency development agenda.

##### *Ghana*

One of the most successful examples of a national energy conservation program has been Ghana's Energy Foundation. With support from USAID, that the Energy Foundation has helped reduce the inefficient use of energy in most sectors of the economy. The Energy Foundation has worked with the industrial sector to perform energy audits and implement efficiency projects that have saved Ghanaian compa-

nies energy and money. In addition, the Energy Foundation helped energize the private sector to improve energy efficiency by setting up the Ghana Association of Energy Services Companies and Consultants (GHAESCO), which has dozens of members actively pursuing energy efficiency projects. The Energy Foundation has also worked to educate consumers through public awareness campaigns and its Green Schools program that teaches students how to use energy more efficiently.

*Helping U.S. Companies.*—USAID works to help energy efficiency companies raise awareness about energy efficiency and encourage implementation of cost-effective energy efficiency improvements. USAID funded partnership programs with private industry have recorded \$35 worth of sales for every \$1 spent. The Alliance has worked with USAID on this effort and can report that since 1995, more than 50 energy efficiency seminars in countries around the world, including Mexico, China, India, Philippines, Portugal, Hungary, and Poland, and Thailand. Through these seminars, more than 85 energy efficiency companies have passed on their experience and knowledge to more than 4,000 engineers and managers from industry, hotels and hospitals, as well as representatives from government agencies, and non-profit organizations, and trade associations. Energy efficiency companies participating in the Alliance's "Energy Efficiency Industry Partnerships" seminars benefit from the opportunity to develop new project leads and cultivate potential distributors and representatives for their products and services. As of May 2001, participating companies have reported that, as a result of contacts made at the seminars, projects worth \$6.2 million have been completed, with another \$9.9 million being considered or in the pipeline.

Mr. Chairman, these are not just small companies, but large companies and companies on the verge of expanding and seeing energy efficiency as an important market for investment. Armstrong International, with facilities in Florida and Michigan, is one of the nation's leading manufacturers of energy-efficient industrial steam technologies. Historically concentrated in the domestic market, their strategic planning indicated that if they wanted to grow product sales they needed to expand globally but as a small business, lacked the capability. Then, USAID order some steam technologies from Armstrong for use in energy efficiency program in Bulgaria. Armstrong contacted USAID to find out more and began to take advantage of the market introduction opportunities USAID energy efficiency program made available to U.S. businesses. Taking advantage of these opportunities enabled Armstrong to develop a global presence, greatly expanding the scope of their business, creating new jobs.

There are many companies that have had similar experiences with USAID's energy efficiency programs. Honeywell, with key facilities in New Jersey, Minnesota and Arizona, is one of the nation's largest manufacturers of efficient energy management building controls and energy-saving performance contracting services. These two products, control systems to reduce energy use and methods to provide financing for energy saving upgrades, hold great promise to solve energy waste problems in former communist, transitional countries. Honeywell has partnered with USAID to provide training and private sector expertise to a wide range of USAID sponsored programs and forums. In doing so, Honeywell has expanded its business practice throughout the region. For instance, by helping USAID provide training in the Kaliningrad Oblast on energy efficient district heating control, Honeywell was able to meet key officials and was in perfect position to take part in a \$5 million World Bank loan that Kaliningrad secured to upgrade its system.

In many cases investments in global energy efficiency that the United States makes through organizations such as the World Bank would be underutilized without the ability of USAID to develop the capacity of governments, NGOs and other stakeholders to manage energy use and recognize the various benefits of energy efficiency. For example, the World Bank gave the first of its kind loan to the Brazilian Energy Efficiency Program, PROCEL, solely to promote energy efficiency. For approximately two years the money has sat idle in spite of a crippling energy and water shortage in Brazil. USAID has been working with PROCEL to develop a strategy for utilizing the loan and working with potential loan recipients such as municipal water utilities to develop worthy energy and water-saving projects. In particular, an energy and water management model with the municipal water utility in the city of Fortaleza, Brazil was developed with USAID support. In the first year of the program, five megawatts of energy were saved in Fortaleza while water service was expanded especially in poor areas. The water utility still registered a net cost savings, demonstrating that the energy savings offset the cost of improving water service to the poor.

In addition, USAID has developed critical ties with the U.S. energy efficiency industry and built the potential of local energy efficiency private sector partners. The U.S. Asia Environmental Partnership alone has been responsible for transferring

over \$1 billion worth of goods and services to developing countries since 1992. USAID has supported the development of Energy Efficiency Business Councils in India, Mexico, Ghana and Thailand. These councils combine the resources of many smaller companies to jointly promote the benefits of energy efficiency to end-users. In many cases energy efficiency companies from the United States have lent their expertise to train end users on energy efficient technologies, expanding their markets in the process. These councils have begun to break down barriers to implementing energy efficiency including reducing tariffs on imported energy efficient goods.

These examples clearly demonstrate how USAID's programs serve a unique and valuable function in helping policymakers and other stakeholders in developing countries adopt sustainable energy practices and programs. The Agency's programs have been instrumental not only in replicating the broad energy lessons of the United States, such as the importance of integrated resource planning, competition, and proper pricing, but have also been useful in demonstrating more specific policy measures such as energy-efficient appliance standards and model building codes. In addition, USAID's activities play a role in leveraging the resources of others. USAID's fiscal year 2001 estimates show the highly successful private and public leveraging of these programs. An internal USAID accounting shows that Clean Energy Programs have leveraged over \$213.4 million for sustainable energy activities in such countries as Brazil, Ghana, Guatemala, India, the Philippines, and Southern Africa—leveraging grants from foundations and support from the private sector, the World Bank and others.

#### RECOMMENDATIONS

Mr. Chairman, I hope that I have helped to demonstrate that part of good governance is found in improving the way in which the world uses energy, and USAID's energy efficiency programs assist this endeavor. Energy efficiency can enhance international security through global governance programs and therefore deserves to garner a significant portion of these additional resources.

The Alliance to Save Energy would like to respectfully recommend the Subcommittee take the following actions to best utilize energy efficiency at USAID.

(1) We recommend a significant increase in funding for USAID's energy efficiency programs. Key energy efficiency opportunities are being missed due to a lack of funds. We recommend an increased funding effort in the transportation, industrial, and water sectors. These sectors are not only pivotal in any true development model and energy efficiency strategy, but they also represent major areas of potential U.S. investment and trade.

(2) We recommend that Congress place a line item in the Foreign Operations appropriations bill for the energy efficiency programs within the Office of Energy and Information Technology in an effort to ensure the survival of these essential programs. Last year, at the direction of this Subcommittee, the Senate bill included such a line item, however this provision was rejected in Conference committee.

(3) We recommend targeted support to energy efficiency throughout USAID by ensuring that Missions have an energy efficiency goal that complements the current goals of the mission. The Bureau for Economic Growth, Agriculture and Trade; Europe and Eurasia Bureau; the U.S.-Asia Environmental Partnership; and the Asian Bureau all have the capacity to do more highly effective energy efficiency activities. In addition, more USAID missions have tremendous potential to take on more energy efficiency activities. Currently, only about 13 of the more than 70 USAID missions have energy efficiency strategic objectives even though all missions could find clear advantages to incorporating energy efficiency into their development strategies.

(4) USAID programs do not systematically take advantage of energy efficiency programs as an element of achieving their strategic objectives. For example, efficiency efforts can play a key role in promoting economic growth (as described above by trade and investment enhancement, business development, and reduced costs); democracy (developing energy efficiency NGOs); and social reforms (using weatherization targeted to low income households to mitigate opposition to energy sector reforms and price increases). This problem is quite extreme even in Russia with its extreme weather, where there is a complete disconnect between USAID's Russian assistance program and energy efficiency.

(5) Furthermore there is often a failure to incorporate energy efficiency into ongoing energy and municipal reform efforts at USAID. For example the Europe and Eurasia Bureau has no strategic approach to the significant energy and environmental challenges facing municipal infrastructure reform in transitional countries. USAID needs to better ensure that energy efficiency is an integral component of ex-

isting efforts (including municipal infrastructure reform; and privatization and other reform of heat, water and wastewater companies).

CONCLUSION

Mr. Chairman, USAID's energy programs assist policymakers, non-governmental organizations, and businesses in developing and transition countries use energy efficiently and economically. Just as importantly, this work benefits U.S. citizens, energy consumers and businesses by enhancing global energy markets. The Alliance respectfully urges the Subcommittee to recognize and support the important work USAID is doing in the energy sector. In addition, we ask the Subcommittee to provide USAID with the funds and other resources to administer and manage their energy programs efficiently. Without an effective organization in Washington and in the field, programmatic resources will not be used to their full advantage.

In short, vigorous Congressional support for USAID's energy programs will help to ensure that countries such as Mexico, India, Brazil, and Ghana are not only able to develop their economies in a manner that is environmentally sustainable, but to take on additional responsibilities to curb greenhouse gas emissions and environmental degradation. Also, by reducing waste around the world, the United States can more easily guarantee its domestic energy supply.

Thank you again, Mr. Chairman, for the providing the Alliance to Save Energy with the opportunity to testify.

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PREPARED STATEMENT OF THE AMERICAN HELLENIC INSTITUTE AND THE HELLENIC AMERICAN NATIONAL COUNCIL

Chairman McConnell, Ranking Member Leahy and Members of the Subcommittee, I appreciate very much the opportunity to submit testimony to the Subcommittee on behalf of the American Hellenic Institute and the Hellenic American National Council.

In the interest of the United States:

(1) We urge an amount of \$15 million in humanitarian aid for Cyprus. This aid is an important symbol of U.S. support for Cyprus and of the U.S. commitment to achieving a just, viable and comprehensive settlement. Cyprus was helpful to the United States in the war on Iraq.

(2) We support the amount of \$600,000 in IMET funds for Greece. Greece was helpful to the United States in the war on Iraq, authorizing the use by the United States of the key strategic naval base at Souda Bay, Crete, the important air base there and overflight rights.

(3) We oppose the \$255 million in military and economic aid to the military-controlled government of Turkey in this bill. This amount was proposed by the Administration before Turkey refused to help the United States regarding Iraq. It is composed of \$200 million economic support funds (ESF), \$50 million foreign military financing (FMF) and \$5 million international military education and training (IMET). It should be fully removed from the bill without hesitation. It is unreasonable to give aid to Turkey in view of:

(a) Turkey's unreliability as an ally. Turkey's actions opposing the use of Turkish bases by U.S. troops to open a northern front against the Saddam Hussein dictatorship demonstrated its unreliability as an ally. The Turkish military were key players in the "no" vote. They miscalculated the U.S. reaction. They thought we needed Turkey and that we would give Turkey more dollars, a veto on policy regarding the Iraqi Kurds and access to Iraqi oil;

(b) the fact that the United States opened a northern front without Turkey demonstrated that we did not need Turkey to defeat Saddam Hussein and that Turkey is of minimal value for U.S. strategic or other interests in the Middle East;

(c) the fact that Defense Secretary Donald Rumsfeld stated on Monday in Qatar that the Incirlik Air Base in southeast Turkey is no longer needed to patrol the northern Iraq "no-fly zone" and that the United States has withdrawn nearly all the 50 attack and support planes from Incirlik Air Base (N.Y. Times, Apr. 29, 2003, A11, col. 6);

(d) Turkey's horrendous human rights violations against its citizens generally and in particular against its 20 million Kurdish minority;

(e) Turkey's continuing illegal occupation of Cyprus with 35,000 Turkish armed forces and over 100,000 illegal colonists from Turkey;

(f) our huge deficit;

(g) our substantial domestic needs;

(h) the fact that the Turkish military has “tens of billions of dollars” in a cash fund and owns vast business enterprises including the arms production companies of Turkey;

(i) the fact that Turkey owes the United States \$5 billion; and

(j) the fact that Turkey’s U.S. foreign agents registered with the Department of Justice have contracts totaling \$2.4 million. Since money is fungible, if any aid is given to Turkey, the first \$2.4 million would, in effect, go to these U.S. foreign agents from U.S. taxpayer dollars.

Mr. Chairman, we also urge the Subcommittee to revisit and reconsider the amount of \$1 billion for Turkey in the Supplemental Appropriations Bill for the Iraq war which the Congress passed on April 12, 2003. That amount was part of the \$75 plus billion the Administration requested and which the Subcommittee passed on April 1, 2003. The Iraq war was basically over several days later and we did not need Turkey. We understand that the \$1 billion for Turkey was added at the last minute to the bill. It should be withdrawn by the administration for the reasons stated above. State Department spokesman Richard Boucher stated that the amount for Turkey was “a request not a commitment.” (*Daily Press Briefing*, March 25, 2003.) We urge the Subcommittee to pass language requesting the administration not to use any of that \$1 billion and to return it to the U.S. Treasury.

Mr. Chairman, as a matter of law Turkey is ineligible for foreign aid under Sections 116 and 502B of the Foreign Assistance Act of 1961, as amended, because of its “consistent pattern of gross violations of internationally recognized human rights” in Turkey and in Cyprus. I refer the Subcommittee members to the State Department’s “Country Reports on Human Rights Practices—2002,” released on March 31, 2003, for the 36 page report on Turkey.

On February 26, 2003 we sent a joint letter to President George W. Bush regarding what a senior administration official described as Turkey’s “extortion in the name of alliance” and setting forth the reasons why Turkey is not vital nor needed in the event of war with Iraq. That letter discusses Turkey’s efforts to extract even more dollars from the United States and a veto on actions regarding the Kurds in northern Iraq and access to Iraqi oil. The letter also discusses the moral issues involved including Turkey’s decades-long ethnic cleansing, crimes against humanity and genocidal campaign against its 20 percent Kurdish minority in which the Turkish military has killed since 1984 over 30,000 innocent Kurds and through paramilitary groups assassinated 18,000 Kurds; and destroyed 3,000 Kurdish villages creating 2,500,000 Kurdish refugees.

Mr. Edward Peck, a retired U.S. ambassador who served as U.S. Chief of Mission in Baghdad from 1977 to 1980 stated in an article in the *Mediterranean Quarterly* (Fall 2001) that the Kurds in Turkey “have faced far more extensive persecution than they do in Iraq.”

On December 11, 2002 we sent a joint letter to President Bush on “United States Policy Towards Turkey—Need for a Critical Review.” On September 4, 2002 we sent a joint letter to President Bush on the false and misleading remarks of Deputy Secretary of Defense Paul Wolfowitz on Turkey. Letters were also sent to President Bush on May 9, 2001 regarding the “International Monetary Fund and World Bank Loans to Turkey” and on March 12, 2001 regarding “Turkey’s Financial Crisis.”

Mr. Chairman, whatever foreign aid is given to Turkey (and we strongly oppose any aid to Turkey for the many reasons set forth above), should have specific conditions. The Supplemental Appropriations Bill for the Iraq War contained performance conditions for the \$1 billion aid request for Turkey relating to Turkey’s economic policies and its role as an ally. Conditions on aid to Turkey should also include:

- (a) removal of Turkish occupation forces and colonists from Cyprus,
- (b) full human rights and autonomy for the Kurdish minority in Turkey,
- (c) removal of the illegal blockade of Armenia,
- (d) full religious freedom and protection for the Ecumenical Patriarchate of the Eastern Orthodox Christian Church, and reopening of the illegally closed Halki School of Theology,
- (e) civilian control of the military with the return of the military to the barracks,
- (f) the divestiture by the military of its ownership of the arms production companies of Turkey and its other businesses,
- (g) repayment by the Turkish military from its “tens of billions of dollars” of the \$5 billion debt owed to the United States, and
- (h) referral by Turkey to the International Court of Justice at the Hague of any claims it asserts regarding the Aegean.

The Turkish military and the Turkish Cypriot leader Rauf Denktash rejected negotiations on U.N. Secretary-General Annan’s proposed agreement on Cyprus while

the newly elected President of the Republic of Cyprus, Tasso Papadopoulos, accepted negotiations. In his April 1, 2003 report to the U.N. Security Council, Secretary-General Kofi Annan specifically blamed Mr. Denktash and the Turkish military for the breakdown in the negotiations and stated that Mr. Papadopoulos was ready for negotiations.

Mr. Chairman and members of the Subcommittee, Turkey is the cause of problems and tensions in its region, not the solution. And contrary to comments by certain administration officials that Turkey has been a loyal ally during the Cold War, the truth is that during the Cold War Turkey actually aided the Soviet military on several important occasions.

Attached as Exhibit 1 is my letter to President Bush dated April 29, 2003, which discusses in detail a number of the points raised in this testimony.

For the letters referred to herein and additional relevant letters and statements please see the American Hellenic Institute's web site at [www.aheworld.org](http://www.aheworld.org).

Thank you.

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PREPARED STATEMENT OF THE CENTER FOR INTERCULTURAL EDUCATION AND DEVELOPMENT, GEORGETOWN UNIVERSITY

Mr. Chairman, ranking member Leahy and members of the subcommittee, thank you for allowing me this opportunity to share with you the success of two programs which have been funded by the Agency for International Development over the years with this Subcommittee's support: the Cooperative Association of States for Scholarships (CASS) and the East Central European Scholarship Program (ECESP). Of course, I am also asking your continued support for these two programs—which were initiated by the Congress. At this critical juncture, as the success of our foreign policy has taken on even greater significance in the context of the war on terrorism, these programs have proven effective in enhancing stability in developing regions. Their success, in fact, argues for their replication in other areas.

While the two programs, CASS and ECESP, take somewhat different approaches and focus on different needs and populations, they share common goals: assisting in efforts to strengthen understanding of the United States and our society abroad, bolstering fledgling democracies and free market economies, and building a well-educated middle class capable of providing leadership in civic society critical to sustaining the economic and political progress of nations facing tremendous challenges.

Just to remind you, CASS provides training to disadvantaged students with demonstrated leadership qualities at U.S. educational institutions. Today, we partner with 20 colleges, universities and community colleges in 12 states. The program provides technical training in agriculture, business, primary education, various industrial technologies, environmental sciences, and health care and infectious disease control. At the same time, it serves to strengthen civic responsibility and leadership skills. CASS has a record of serving groups that historically have been overlooked—women, ethnic minorities, the rural poor and individuals with disabilities, and of providing the right mix of training and placement services to achieve a 98 percent rate of return to their home countries and a 92 percent alumni employment record. Alumni are working in fields that support private sector growth, humanitarian assistance and development objectives of their home countries. There are currently 405 CASS scholars in the United States and nearly 5,000 alumni making real differences every day in their home countries.

Nearly 90 percent of CASS funds are spent in U.S. communities. CASS students engage in the communities where they are hosted, and the program offers, in many instances, the only international presence on their 20 host campuses. You should also know that the host institutions provide a 25 percent local match for the AID funds. I would point out that providing the match is posing a substantial challenge to some of the host institutions as they have seen their state funding reduced as a result of the budget pressures facing state governments of which you are well aware.

The ECESP program provides community and government leaders, administrators, managers and educators in East Central Europe with the knowledge and skill base to facilitate reform and transformation of their societies. This is accomplished through a range of U.S.-based, in-country and regional training programs leading to certificates and, in some instances, degrees. ECESP has identified five goals that characterize its approach: (1) more effective, responsive and accountable systems of local government, (2) stronger institutions fostering democratic decision making and civil society, (3) more efficient social service delivery systems, (4) support for sustainable economic development, and (5) education approaches responsive to local needs in changing environments.

During the first 8 years of its existence, ECESP provided a unique and dynamic educational experience to approximately 700 committed participants in the Czech Republic, Hungary, Poland, and Slovakia. Since 1998, another 673 participants have been trained from Albania, Bulgaria, Macedonia, and Romania with another 50 long-term participants prepared to start training next month.

As is the case with CASS, ECESP funds are overwhelmingly expended in the United States, with 86 percent committed domestically, at U.S. colleges and universities. The program is having the impact that was intended. Its recent evaluation found that “[M]any [ECESP] returnees have taken on important policy roles, high positions in dimensions of public life, key positions in the growing private sector, and significant roles in advocacy and social improvement.” It also noted “[L]ong term (U.S. based training) appears to have a substantial impact on the attitude, vision and career path of participants.”

I would remind the Subcommittee that the CASS program was conceived as an effective means of responding to the challenges facing Central American nations that had been torn by civil strife during the 1970’s and 1980’s. ECESP was established in 1990 to assist emerging democracies in Eastern Europe as they grappled with the challenges of governance and institution building, sustainable private sector economic development and development of their human potential with a focus on health care and education. The recent evaluation of CASS found that the program “has a major impact on their (participants’) skills and outlook, enhances their employment prospects, and leads to substantially increased income. They become more productive members of their respective countries’ economies, and often help others to be more productive.” The evaluation of ECESP went so far as to urge that “ECESP should consider discussing with USAID the potential of expanding the program in the future into the most disadvantaged of the former Soviet republics . . . especially the Caucasus, Moldova and the five Central Asian Republics (which) have even greater institutional obstacles to overcome as they move towards more open political and economic systems. The ECESP Program, if it were oriented towards supporting the key institutional transformations in these countries, could provide USAID an additional valuable tool for economic development.”

I am pleased to be able to tell you that Georgetown’s Center for Intercultural Education and Development is ready to work with you and USAID to continue the mission we have effectively met to date and to expand our services, of course, with modifications necessary to reflect the realities and needs of other nations. We appreciated the support for CASS and ECESP the Subcommittee gave in its report last year. At the same time, we would be gratified to be able to use these models in helping respond to new challenges as we pursue efforts to create environments that will not be receptive to terrorist activity. Just as these programs have proven effective in helping lay the groundwork for stability in Central America, the Caribbean and Eastern Europe, they can quickly be put in place—with appropriate adjustments—to help achieve other U.S. foreign policy objectives at this time.

We are at this point engaged in discussions with USAID about multiyear contract renewals for both programs. While we have had very strong working relationships with relevant USAID officials, the clear and direct support that this Subcommittee has given us over the years has proven very important to our ability to be effective. At this critical juncture, both in terms of the nation’s foreign policy priorities and with regard to defining the future of these two programs, we request your continued support in this year’s appropriations process.

Thank you.

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#### PREPARED STATEMENT OF THE NATURE CONSERVANCY

We thank the Committee for the opportunity to submit this testimony for the record, expressing our support for the U.S. Government’s commitment, within the Foreign Operations appropriation, to international conservation.

The mission of the Nature Conservancy is to preserve the plants, animals, and natural communities that represent the diversity of life on Earth, by protecting the lands and waters they need to survive. In our work outside the United States, we support strong local conservation groups that work to raise the effective level of protection at parks and nature preserves established by the local governments. Our work in the United States and abroad is closely related.

We are a private, non-profit organization. We are in the midst of our largest private capital fund-raising campaign—over \$1 billion so far. One hundred twenty million dollars will be for our work outside the United States. Eighty-four percent of our budget in 2002 was raised from non-governmental sources. But government grants fill a critical need. For example, the assistance we receive through our coop-

erative relationships with the United States Agency for International Development (AID) is vital to our international operations. It is very difficult to raise private dollars for international operating expenses, especially expenses of our foreign partners at the parks. Without AID's support, these programs would be severely damaged.

Our Parks in Peril (PiP) program in Latin America and the Caribbean and our similar efforts in the Asia/Pacific region are widely regarded as among the most successful and respected in the world. These efforts are bringing real protection to more than sixty major "sites"—parks and nature preserves in 27 foreign countries, comprising over 80 million acres. In a typical recent year, AID has supported PiP with about \$6 million. The leverage on the U.S. Government's investment in PiP is very high—more than \$300 million raised by us and by our local partners for conservation work at or near the PiP sites. We have signed a five-year agreement for the next stage of Parks in Peril, under which the program will leverage its proven methodology to many more places. Your Committee has praised Parks in Peril in its past reports, and we hope you will do so again.

We are also grateful for AID's support to our other international projects, especially through the Global Conservation Program (GCP) and through the President's Initiative Against Illegal Logging. The GCP, for example, helps pay for our work on the coral reef that surrounds Komodo Island in Indonesia: for park rangers, marine patrol boats to enforce the ban on destructive fishing, and alternative development projects for local people.

AID's support to biodiversity is by far the largest portion of all U.S. Government funding to international conservation: \$145 million in fiscal year 2003. Your Committee has long supported AID's biodiversity work. The Administration's requested level for the foreign affairs function in fiscal year 2004 is up, but naturally most of the increase is driven by the war on terrorism and the Middle East situation. We recognize the need for priorities at this moment of national crisis. In view of the new resources being made available to AID, we strongly urge the Committee to provide clear guidance to AID that investment in conservation of global biodiversity should at the least not decline.

The Tropical Forest Conservation Act (TFCA), also known as the Portman Act, is also funded within Foreign Operations. The Administration has requested \$20 million for fiscal year 2004, in the Treasury account. The TFCA uses debt reduction deals to create long-term income streams to protect forests. We strongly support this request. The Conservancy donated more than \$1 million to the TFCA deal with Belize, about \$400,000 to the deal with Peru, and expects to donate \$1 million to the deal now under discussion with Panama. These debt-for-forest deals leverage the U.S. taxpayers' dollar: typically, there is about \$2 of conservation benefit for each \$1 of appropriated funds. If TFCA gets the full \$20 million, it will be possible to do perhaps four deals beyond Panama, including such countries as Jamaica, Ecuador, and Colombia. We stand willing to donate our own private funds in each case.

Finally, I note that the Global Environment Facility (GEF) is the largest single source of biodiversity conservation funds in the world, leveraging U.S. Government contributions four-to-one. We welcome the Administration's decision to seek \$184 million for the GEF, enough for the current U.S. pledge and a substantial payment toward the arrears. We urge the Committee to approve this request in full.

Thank you, Mr. Chairman.

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#### PREPARED STATEMENT OF SEEDS OF PEACE

My name is Aaron David Miller. I am president of Seeds of Peace. In that capacity, I want to thank you and the other members of this committee for the opportunity to talk briefly about an extraordinary organization that works toward coexistence and peace for young people caught in conflict.

For the past 24 years, I served as an advisor on Arab-Israeli negotiations to six Secretaries of State. I helped Secretary of State James Baker plan for the Madrid Conference in 1991; assisted President Clinton and Secretary Albright at Camp David in 2000; and for the past 2 years, until January 2003, worked for Secretary Powell.

There are many reasons for the current crisis between Arabs and Israelis; and it is not appropriate to review them here. Based on the last two decades of my experience in negotiations, one thing is fundamentally clear: while only governments can negotiate agreements, only people can define the character and quality of real peace. Sadly neither Arabs, Israelis, nor Americans have invested sufficiently in people to people programs and in efforts to create the private and public relationships between individuals so essential to supporting the formal diplomacy.

This is particularly true when it comes to young people. As mediators, we did not focus either in the socialization and education of young people in conflict. Unless we invest in the next generation and try to create options for them other than conflict, we risk losing the future. When the peace process resumes—and it will—we as a government must take much more seriously the efforts of non-governmental organizations such as Seeds of Peace in helping to build that future.

Today, I would like to briefly address two issues. What Seeds of Peace has accomplished and is continuing to accomplish every day; and why congressional support for our efforts is now more critical than ever.

Created in 1993 by the late John Wallach, Seeds of Peace is a non-political organization that does practical coexistence work for young people caught up in four of the world's most difficult conflicts—the Middle East, South Asia (India, Pakistan, Afghanistan), Cyprus, and the Balkans. In its first decade, more than two thousand young people, the vast majority from the Arab-Israeli arena, have been through our programs. These programs begin with a three and a half week experience at our camp in Maine and continue all year round at our Center for Coexistence in Jerusalem and through reunions and conferences. In essence, we have created a stream of programming which tracks and follows our young people from the time they enter camp at the age of 14 through their university years.

Seeds of Peace aims to accomplish three basic objectives.

First, we provide young people with the environment and skills to emerge as leaders of their generation. We draw on teenagers from a wide variety of political, social, economic, and religious backgrounds, in large part from the mainstreams of their respective societies. It is here, in the center, not on the margins of political life, where leaders capable of making peace are born. The fact that these young people come to our camp in delegations representing their respective governments gives them additional standing and credibility as future leaders. Our 1993 "Seeds" graduates are now 23 years old; many are winning awards, pursuing either practical or academic work in coexistence, and emerging as young leaders. It is more than likely that one or more of these young people will become a president, prime minister, foreign minister, or leading parliamentarian in their countries.

Second, Seeds of Peace provides these young leaders with the skills required for coexistence and peace-making. Seeds of Peace is not about kids singing songs and planting flowers in the woods. It is about serious and painful coexistence sessions under the guidance of professional facilitators, where anger, hatred, and stereotypes are aired and overcome. These young ambassadors learn how to listen, how to negotiate, how to empathize, and above all, how to respect one another as individuals. It is here that friendships and trust are born.

Third, Seeds of Peace creates hope and possibility amidst fear and despair. This is not a question of striving for an unattainable ideal. Instead, we offer young people, trapped in bitter and violent conflict, a practical alternative—a pathway that is positive and empowering and that leads them away from violence into dialogue and understanding. Our young people reject violence. In a decade, we have lost only one young man to violence, and he, one of our brightest and most extraordinary "Seeds," was caught in tragic circumstances not of his making.

Today, Seeds of Peace is more important than ever. Two and a half years of non-stop Israeli-Palestinian confrontation have put at risk an entire generation of young Israelis, Palestinians, and Arabs. Throughout this period, our Center in Jerusalem continues to do extraordinary work. Of the one hundred and twelve Israelis and Palestinians who participated in our 2002 camp session in Maine, ninety-five are still involved in bi-weekly coexistence sessions in Jerusalem. In December 2002, one hundred and twenty Israelis and Palestinians gathered at Kibbutz Yahel; in February of this year, sixty Palestinians gathered in Jericho for a Seeds of Peace seminar. Our camp planning for the summer of 2003 is well under way with the selection process already working in Israel, the West Bank/Gaza, Egypt, Jordan, Yemen, Qatar, Tunisia, Morocco, India, Pakistan, Afghanistan, Cyprus, and the Balkans.

Against the backdrop of war and confrontation, Seeds of Peace continues to train leaders, empower them with skills, and maintain hope. Moreover, as an American organization, Seeds of Peace is also a critical window through which young people can get an accurate and objective look at America. The camp experience in Maine, trips to Washington, where they meet with the President, Congress, and the Secretary of State, expose young people from all over the world to America at its best—to its openness, its tolerance, and its diversity. We have one hundred Seeds of Peace graduates currently studying at U.S. universities and colleges.

Moreover it is critical to America's image in the world that we be perceived as deeply engaged in peace making efforts and in promoting dialogue and understanding particularly among young people. We want people to see us as proactively involved in pursuing solutions to some of the world's most difficult problems. As an

American organization with internationally recognized credentials, real credibility, and a proven track record, Seeds of Peace is uniquely positioned to accomplish these objectives. This will be critically important, particularly in the wake of war with Iraq.

The role of Congress is critical to our efforts. In our early years, we refrained from seeking U.S. Government support. In the late 1990's our programming needs expanded to the point where additional assistance was required. In fiscal year 2000, Seeds of Peace received an award from USAID and the Department of State of almost \$700,000 because of language in the Conference Report attached to the fiscal year 2000 Foreign Operations Bill. In fiscal year 2002, we received a second award of \$547,000 with \$203,000 still pending. This funding was critical to the success of our programs, particularly in Jerusalem, where we do most of our on the ground follow up.

The need to do this follow up is critical to the success of our program. In the end, coexistence will only be sustained if it can survive, not in the woods of Maine, but in the neighborhood where Arabs and Israelis interact daily. The attached budget in our request for fiscal year 2004, reflects this reality and is directed in large part to funding our Center in Jerusalem, expanding a regional presence in Amman and Cairo, working with our Delegation Leaders (the adult educators who accompany the youngsters), to bring additional young people to camp, and for non-Middle East programming. Toward that end, for fiscal year 2004, we are seeking \$1 million in U.S. Government funding.

Seeds of Peace represents something rare and unique: It gives us all a glimpse of what the future could be, a future based not on hatred and intolerance, but on respect, tolerance, and ultimately on peace. I have been given a unique opportunity to nurture this very special gift. And with your help Seeds of Peace will continue to grow and to bring us one step closer to the better world to which we all aspire.

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