

**STATE, FOREIGN OPERATIONS, AND RELATED  
PROGRAMS APPROPRIATIONS FOR FISCAL  
YEAR 2012**

---

**HEARING**

BEFORE A

**SUBCOMMITTEE OF THE  
COMMITTEE ON APPROPRIATIONS  
UNITED STATES SENATE**

**ONE HUNDRED TWELFTH CONGRESS**

**FIRST SESSION**

ON

**S. 1601**

AN ACT MAKING APPROPRIATIONS FOR THE DEPARTMENT OF STATE,  
FOREIGN OPERATIONS, AND RELATED PROGRAMS FOR THE FISCAL  
YEAR ENDING SEPTEMBER 30, 2012, AND FOR OTHER PURPOSES

---

**Department of State  
United States Agency for International Development**

---

Printed for the use of the Committee on Appropriations



Available via the World Wide Web: [http://www.gpo.gov/fdsys/browse/  
committee.action?chamber=senate&committee=appropriations](http://www.gpo.gov/fdsys/browse/committee.action?chamber=senate&committee=appropriations)

---

U.S. GOVERNMENT PRINTING OFFICE

64-618 PDF

WASHINGTON : 2012

---

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

## COMMITTEE ON APPROPRIATIONS

DANIEL K. INOUE, Hawaii, *Chairman*

PATRICK J. LEAHY, Vermont	THAD COCHRAN, Mississippi, <i>Ranking</i>
TOM HARKIN, Iowa	MITCH McCONNELL, Kentucky
BARBARA A. MIKULSKI, Maryland	RICHARD C. SHELBY, Alabama
HERB KOHL, Wisconsin	KAY BAILEY HUTCHISON, Texas
PATTY MURRAY, Washington	LAMAR ALEXANDER, Tennessee
DIANNE FEINSTEIN, California	SUSAN COLLINS, Maine
RICHARD J. DURBIN, Illinois	LISA MURKOWSKI, Alaska
TIM JOHNSON, South Dakota	LINDSEY GRAHAM, South Carolina
MARY L. LANDRIEU, Louisiana	MARK KIRK, Illinois
JACK REED, Rhode Island	DANIEL COATS, Indiana
FRANK R. LAUTENBERG, New Jersey	ROY BLUNT, Missouri
BEN NELSON, Nebraska	JERRY MORAN, Kansas
MARK PRYOR, Arkansas	JOHN HOEVEN, North Dakota
JON TESTER, Montana	RON JOHNSON, Wisconsin
SHERROD BROWN, Ohio	

CHARLES J. HOUY, *Staff Director*

BRUCE EVANS, *Minority Staff Director*

---

## SUBCOMMITTEE ON STATE, FOREIGN OPERATIONS, AND RELATED PROGRAMS

PATRICK J. LEAHY, Vermont, *Chairman*

DANIEL K. INOUE, Hawaii	LINDSEY GRAHAM, South Carolina
TOM HARKIN, Iowa	MITCH McCONNELL, Kentucky
BARBARA A. MIKULSKI, Maryland	MARK KIRK, Illinois
RICHARD J. DURBIN, Illinois	ROY BLUNT, Missouri
MARY L. LANDRIEU, Louisiana	DANIEL COATS, Indiana
FRANK R. LAUTENBERG, New Jersey	RON JOHNSON, Wisconsin
SHERROD BROWN, Ohio	JOHN HOEVEN, North Dakota

### *Professional Staff*

TIM RIESER

NIKOLE MANATT

JANET STORMES

PAUL GROVE (*Minority*)

MICHELE WYMER (*Minority*)

### *Administrative Support*

MARIA VEKLIH

LaSHAWNDA SMITH (*Minority*)

# CONTENTS

WEDNESDAY, MARCH 2, 2011

	Page
Department of State: Secretary of State .....	1
TUESDAY, APRIL 12, 2011	
U.S. Agency for International Development .....	59



**STATE, FOREIGN OPERATIONS, AND RELATED  
PROGRAMS APPROPRIATIONS FOR FISCAL  
YEAR 2012**

---

**WEDNESDAY, MARCH 2, 2011**

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

The subcommittee met at 2:10 p.m., in room SD-126, Dirksen Senate Office Building, Hon. Patrick J. Leahy (chairman) presiding.

Present: Senators Leahy, Mikulski, Lautenberg, Brown, Graham, Kirk, Blunt, Coats, Johnson, and Hoeven.

DEPARTMENT OF STATE

OFFICE OF THE SECRETARY

**STATEMENT OF HON. HILLARY RODHAM CLINTON, SECRETARY**

OPENING STATEMENT OF SENATOR PATRICK J. LEAHY

Senator LEAHY. Thank you all. I welcome the Secretary who probably feels like she is back as a Member of Congress with the amount of time she's spent on the Hill recently, but Madam Secretary, we all appreciate it, and it's very helpful to us.

Each Member sitting to my left is new to the subcommittee, so I want to welcome all of you publicly, and I am sure Senator Graham will want to recognize you as we go ahead.

Senator Graham and I work together on the Judiciary Committee—where his expertise has been indispensable. We run the Bipartisan National Guard Caucus and have traveled together to different parts of the world, some enjoyable and some about as miserable as you're ever going to see. He has unique knowledge as a former judge advocate general and I welcome him.

The chairmen and ranking members of this subcommittee have usually worked to produce a bipartisan, usually almost unanimous bill. Senator McConnell and I did—when I was either chairman or ranking member, and Senator Gregg and I have and others will.

I understand that Rich Verma is leaving and returning to practicing law. We'll miss you. We missed you when you left the Senate and went to the Department and we'll miss you now.

Madam Secretary, the Congress, which has not yet finished work on the fiscal year 2011 budget, received yesterday the justification for the fiscal year 2012 budget. So my questions will probably straddle both.

The House majority's proposed draft cuts your budget for the remainder of 2011. The impact of those cuts on the operations of our Embassies—which all Americans who travel, study, or work abroad depend on—will be severe. Every time there is a problem in a country, Americans in that country go first and foremost to the American Embassy. We saw that in Egypt and Libya. The impact of the House proposal on our national security programs from Afghanistan to Mexico will also be severe.

The development of foreign markets for U.S. exports, which creates thousands of jobs here in the United States, and our influence in international organizations, are going to be affected by these cuts.

We've all been fascinated by recent popular uprisings in Tunisia, Egypt, Libya, Iran, Yemen, and elsewhere. I think that the courage and determination of the people in these countries in overcoming generations of fear and apathy is extraordinary. It's inspiring, but it also raises the question: What comes next?

In fact, in many ways, it's hard to see how the Government of Iran doesn't come out stronger as a result of the upheaval, and that concerns everybody here.

The United States should be a strong voice for people living under repressive, corrupt regimes who are demanding the freedoms we often take for granted, and whose support we need in countering terrorism around the world.

We've seen the power of the Internet, Facebook, Twitter, and other social media. We saw how the Mubarak regime tried to silence it and failed. We know how Iran rulers are cracking down on it.

This subcommittee, since 2008—I mention this especially for our new members—has appropriated \$50 million for programs to promote Internet access and circumvent government censorship around the world. It's one of the reasons why people have their voices heard now, and so I want to talk about how the State Department is using these funds.

I think that your budget request is a far more responsible approach to the national security challenges we face than what we've seen in the other body's fiscal year 2011 proposal.

We face multiple threats. We have important interests in the Middle East and South Asia and on every continent. China, our biggest competitor, is expanding its influence around the world, and we've got to be engaged if we're going to combat that. There's a global food crisis some seem oblivious to. We can't punt these challenges to the next generation.

There are issues like human rights, transparent, accountable government, and the rule of law which is why I wrote the Leahy amendment a decade-and-a-half ago, and it was passed with bipartisan support.

#### PREPARED STATEMENT

I'm going to put the rest of my statement in the record, turn it over to Senator Graham, and then to you, Madam Secretary, and we'll go to questions.

[The statement follows:]

## PREPARED STATEMENT OF SENATOR PATRICK J. LEAHY

Welcome, Madam Secretary.

Madam Secretary, the Congress has yet to finish work on the fiscal year 2011 budget and we only received yesterday the justification materials for part of your fiscal year 2012 budget request, so I suspect today's questions will straddle both.

The House majority has proposed drastic cuts in your budget for the remainder of 2011. The impact of those cuts on the operations of our Embassies, which all Americans who travel, study, or work abroad depend on as we have been reminded of in Egypt and Libya; on national security programs from Afghanistan to Mexico; on the development of foreign markets for United States exports; and on our influence at the United Nations and other international organizations, would be dramatic.

I hope, in addition to discussing your fiscal year 2012 budget request, that you will give us your reactions to the House continuing resolution.

We have all been fascinated by recent popular uprisings in Tunisia, Egypt, Libya, Iran, Yemen, and elsewhere. The courage and determination of the people of these countries in overcoming generations of fear and apathy is as extraordinary as it is inspiring.

At the same time, it is hard to see how the Government of Iran does not come out stronger as a result of all this upheaval, which deeply concerns all of us.

The United States should be a strong voice for people living under repressive, corrupt regimes who are demanding the freedoms we often take for granted, and whose support we need in countering terrorism. We have seen the power of the Internet, Facebook, Twitter, and other social media, and how the Mubarak regime tried, and failed, to silence it, and how Iran's rulers are cracking down.

Since 2008, this subcommittee has appropriated \$50 million for programs to promote Internet access and circumvent government censorship. You have spoken about this and I hope you will tell us how the State Department is using these funds.

Turning to fiscal year 2012, I believe your budget request is a far more responsible approach to the national security challenges we face than what the House has proposed in its fiscal year 2011 continuing resolution. While the mood in the Congress is to cut spending, the age old refrain "penny wise and pound foolish" could not be more applicable.

We face threats and have important interests, not only in the Middle East and South Asia, but on every continent. China, our biggest competitor, is expanding its influence in every hemisphere. There is a global food crisis that our friends in the House seem oblivious to, and their answer to climate change is to punt to the next generation. We face huge challenges in our own hemisphere.

Our priorities also must include promoting human rights and tolerance, transparent and accountable government, and the rule of law. That is why I wrote the Leahy amendment almost a decade and a half ago.

For those who question the need for the funds you are requesting, there are many other compelling examples.

We can begin with global health—preventing outbreaks of deadly viruses and other infectious diseases that can quickly become pandemics that kill millions of people including Americans.

Or international terrorism, organized crime and other trans-national crime, which are growing threats to Americans and the citizens and governments of other nations, especially democratic governments whose institutions are weak and prone to corruption.

There is the pressing need to respond to rising temperatures, melting glaciers, growing populations of hungry people who need energy and jobs, and whose access to land and safe water is shrinking. These are elements of a global train wreck in the making.

We know this budget will not solve every problem in the world, but it will at least ensure that the United States is equipped to play a leadership role—something that some of our friends in the House seem unconcerned about.

Today more than ever we recognize the need for fully staffed Embassies, effective diplomacy, and strong alliances. We greatly appreciate the work you are doing. And we again commend the dedicated men and women of the State Department and USAID who are serving America here at home and at posts around the world, often at great personal risk.

## OPENING STATEMENT OF SENATOR LINDSEY GRAHAM

Senator GRAHAM. Well, thank you, Mr. Chairman. I'm honored to be on the subcommittee. This is a change for me, and it's something I've been looking forward to for a very long time.

And we have worked together on the Judiciary Committee. We have good contests and we work together well, and that's what the Senate is supposed to do, sometimes fuss and sometimes fight, but sometimes get something done.

Now, on my side, Mr. Chairman, you mentioned the subcommittee members. We really have a rich resource for the Nation here.

Senator Kirk is a Naval reservist who is going to be in charge of piracy. He doesn't know that yet, but he has been involved in international security matters for a very long time and is a really unique guy to have in the Senate.

Roy was one of the leaders in the House and he's going to tell us how to deal with the House, when it comes to finding the difference between \$14 billion—

Senator MIKULSKI. That does require treaty negotiations.

Senator GRAHAM. Yes. Well, I think Roy's your man. He knows how to get things done.

And we've got a Governor. I really look forward to hearing your view of what it's like in the prairieland to talk about foreign operations and foreign aid.

We've got a businessman, who just got mad, very successfully, ran for the Senate and is here for all the right reasons, and that's Senator Johnson. I'd very much like your view of how this fits into the overall problems we have as a Nation, where we should be going in terms of foreign operations.

I mention Dan Coats last for a reason. He was an ambassador. He's actually lived in the world of which we're talking about, who represented our country in Germany. Just within a few days of arriving, 9/11 happened, and I think he can really share with the members of this subcommittee what it's like to represent America abroad, particularly when you're at war.

So we have a good team over here, and I'm very proud of my colleagues, and, Mr. Chairman, working together, we're going to defend America. And it's my view this account is as much of winning the war as any other account that we will deal with.

Secretary Clinton said something when we were meeting that just, I think, we have to come to grips with. She said that everybody in the world doesn't believe America can't do anything that needs to be done and we don't have money problems.

I've found that to be true. How many times have you traveled overseas where somebody in a foreign government will ask you for money, never believing that we can't provide the money or we can't provide the resources? Because, from their point of view, America is the group of people—even though they won't say this publicly, privately—that can fix anything.

Well, I like to think of ourselves in good terms, but we can't fix everything, and we have money problems. So part of the challenge is to educate our allies throughout the world that we're hurting here at home and we're going to have to do more with less, that



we still have a good heart and we want to be involved and not leave vacuums that would be filled in by bad people, but we've got to get our fiscal house in order.

And we, on our side particularly, have to go home and convince people who are hurting—who've lost their jobs and budgets have been cut and they don't know if they're going to get the next paycheck, and many of them are living on unemployment benefits—that spending money overseas really does matter.

And so that's the challenge, the tale of two people, the world at large, who believes America has an unlimited ability to help and we have no budget problems. People here at home have to be shown why it matters to be involved.

If we were not involved in Egypt for 30 years with their army, God knows what would have happened. And that is not popular to talk about on the stump, but it is a reality of the world in which we live in. How we help the Libyan people, the Tunisian people will matter, because if we don't help them, somebody else will.

So I'll look forward to working with you, Mr. Chairman, to try to articulate to the American taxpayer, who's under siege, that we have to stay involved in the world, and General Petraeus believes that the civilian side of the military-civilian partnership is more important than ever, that we cannot win in Iraq if we don't keep the civilian component strong, because you'll be in the lead. And the civilian surge in Afghanistan is as important as any brigade we're going to send.

So we have to convince the world that we have limited funds here on our own people to spend money wisely. I cannot stress enough, from my point of view, that the foreign operations account can make the difference between a safe America and an at-risk America.

Can it be reduced? Can it be reformed? Yes. But if you don't see it as a national security tool then I think we're missing the mark as a nation. So I look forward to working with you.

Senator LEAHY. Thank you very much, and, Secretary Clinton, please go ahead.

#### SUMMARY STATEMENT OF HON. HILLARY RODHAM CLINTON

Secretary CLINTON. Thank you very much, Chairman Leahy and Ranking Member Graham. It's wonderful being back here in the Senate and having this opportunity to discuss these important issues with you, and I welcome all the new Members to the Senate. I hope that they enjoy their time here as much as I enjoyed my 8 years. I'm looking forward to working with this subcommittee because there is an enormous amount that we have to do together.

I recently took part, on Monday, in emergency meetings in Geneva to discuss the unfolding events in Libya, and I'd like to begin by offering you a brief update.

We have joined the Libyan people in demanding that Colonel Gaddafi must go now without further violence or delay, and we are working to translate the world's outrage into actions and results.

Marathon diplomacy at the United Nations and with our allies has yielded quick, aggressive steps to pressure and isolate Libya's leaders. We welcomed yesterday's decision to suspend Libya from the Human Rights Council, as I had urged a day earlier.

USAID is focused on Libya's food and medical supplies and is dispatching two expert humanitarian teams to help those fleeing the violence into Tunisia and Egypt. Our combatant commands are positioning assets to prepare to support these critical civilian missions, and we are taking no option off the table, so long as the Libyan Government continues to turn its guns on its own people.

The entire region is changing, and a strong, strategic American response will be essential. In the years ahead, Libya could become a peaceful democracy or it could face a protracted civil war or it could fall into chaos. The stakes are high.

This is an unfolding example of using the combined assets of diplomacy, development and defense to protect our interests and advance our values. This integrated approach is not just how we respond to the crisis of the moment. It is the most effective and most cost-effective way to sustain and advance our security interests across the world, and it is only possible with a budget that supports all the tools in our national security arsenal.

Now, I agree that the American people today are justifiably concerned about our national debt, but I also believe that we have an opportunity, as well as an obligation, to make decisions today that will keep us safer and more secure and more prosperous into the future.

In Iraq, almost 100,000 troops have come home and civilians are poised to keep the peace. In Afghanistan, integrated military and civilian surges have set the stage for our diplomatic surge to support an Afghan-led reconciliation that could end the conflict and put al Qaeda on the run. We have imposed the toughest sanctions yet to rein in Iran's nuclear ambitions. We have re-engaged as a leader in the Pacific and in our own hemisphere. We have signed trade deals to promote American jobs and nuclear weapons treaties to protect our people. We worked with northern and southern Sudanese to achieve a peaceful resolution and prevent a return to civil war.

And we are working to open political systems, economies, and societies at this remarkable moment in history in the Middle East, where we are trying to support orderly, peaceful, irreversible democratic transitions.

Our progress is significant, but our work is ongoing. We believe, obviously, that these missions are vital to our national security and now would be the wrong time to pull back.

The fiscal year 2012 budget we discuss today will allow us to keep pressing ahead. It is a lean budget for lean times. I launched the first ever Quadrennial Diplomacy and Development Review (QDDR) following on my experience when I served with Senator Graham on the Armed Services Committee, what the Pentagon had done with its QDDR. So this QDDR helped us maximize the impact of every \$1 we spend. We scrubbed the budget. We made painful, but responsible cuts.

We cut economic assistance to Central and Eastern Europe, the Caucasus and Central Asia by 15 percent. We cut development assistance to more than 20 countries by more than one-half.

And this year, for the first time, our request is divided into two parts. Our core budget request is for \$47 billion, which supports

programs and partnerships in every country, but North Korea. It is essentially flat from 2010 levels.

The second part of our request funds the extraordinary, temporary portion of our war effort that we are responsible for in the same way the Pentagon's request is funded, in a separate Overseas Contingency Operations account, known as OCO.

Instead of covering our war expenses through supplemental appropriations, we are now taking a more transparent approach that reflects our fully integrated civilian military effort on the ground. Our share of the President's \$126 billion request for these exceptional wartime costs is \$8.7 billion.

Let me walk you through a few of these key investments. First, this budget funds vital civilian missions in Afghanistan, Pakistan, and Iraq.

In Afghanistan and Pakistan, al Qaeda is under pressure as never before. Alongside our military offensive, we are engaged in a major civilian effort to help build up the governments, economies, and civil societies of those countries in order to undercut the insurgency.

These two surges set the stage for a third, a diplomatic push in support of an Afghan process to split the Taliban from al Qaeda, bringing the conflict to an end and help stabilize the entire region.

Our military commanders, as you just heard, including General Petraeus, are emphatic that they cannot succeed without a strong civilian partner. Retreating from our civilian surge in Afghanistan with our troops still in the field would be a grave mistake.

Equally important is our assistance to Pakistan, a nuclear-armed nation with strong ties and interests in Afghanistan. We are working to deepen our partnership and keep it focused on addressing Pakistan's political and economic challenges as well as our shared threats.

And after so much sacrifice in Iraq, we have a chance to help the Iraqi people build a stable, democratic country in the heart of the Middle East. As troops come home, our civilians are taking the lead helping Iraqis resolve conflicts peacefully and training police.

Shifting responsibilities from our soldiers to our civilians actually saves taxpayers a great deal of money. The military's total OCO request worldwide will drop by \$45 billion from 2010, while our costs for the Department of State and USAID will increase by less than \$4 billion. Every business owner I know would gladly invest \$4 to save \$45.

Second, even as our civilians help bring today's war to a close, we are working to prevent tomorrow's. This budget devotes more than \$4 billion to sustaining a strong U.S. presence in volatile places. In Yemen, it is helping to provide security, development and humanitarian assistance to deny al Qaeda a safe haven. It focuses on those same goals in Somalia. It is helping northern and southern Sudanese chart a peaceful future, helping Haiti to rebuild. And it proposes a new global security contingency fund that would pool resources and expertise with the Defense Department to quickly respond to challenges as they emerge.

This budget also strengthens our allies and partners. It trains Mexican police to take on violent cartels and secure our Southern Border. It provides nearly \$3.1 billion for Israel and supports Jor-

dan and the Palestinians. It does help Egypt and Tunisia build stable and credible democratic systems. And it supports security assistance to more than 130 nations.

As Senator Graham said, over the years, we've seen great ties created because of that funding. We did help to train a generation of Egyptian officers who refused to fire on their own people.

Third, we are making targeted investments in human security. We have focused on hunger, disease, climate change and humanitarian emergencies, because they threaten not only the security of individuals, but they are the seeds of future conflict.

Our largest investment is in global health programs, including those launched by President George W. Bush. These programs stabilize entire societies that have been devastated by HIV/AIDS, malaria and other illnesses. They save the lives of mothers and children and halt the spread of deadly diseases.

And, yes, global food prices are approaching an all-time high, and 3 years ago, this led to protests and riots in dozens of countries. Food security is a cornerstone of global stability, and we, under our policy, are helping farmers grow more food, drive economic growth, and turn aid recipients into trading partners.

And climate change threatens food security, human security and national security. So our budget builds resilience against droughts, floods and other weather disasters, promotes clean energy, and preserves tropical forests.

Fourth, we're committed to making our foreign policy a force for domestic economic renewal. We are working aggressively to promote sustained economic growth, level the playing field and open markets to create jobs here at home.

To give you just one example, our economic officers in Vietnam helped Boeing secure a \$1.5 billion contract for eight 787 aircraft to be assembled in North Charleston, South Carolina. And I personally lobbied for that, Senator.

Fifth and finally, this budget funds the people and the platforms that make everything possible that I've described. It allows us to sustain diplomatic relations with 190 countries. It funds political officers defusing crises, development offices spreading opportunity, economic officers who wake up every day thinking about how to put Americans back to work.

Several of you have asked the Department about the safety of your constituents in the Middle East. Well, this budget helps fund the consular officers who evacuated more than 2,600 people from Egypt and Libya and nearly 17,000 from Haiti. They issued 14 million passports last year and served as our first line of defense against would-be terrorists seeking visas to enter our country.

At the same time, I'd like to say just a few words about funding for the rest of 2011. As I told Speaker Boehner and Chairman Rogers and many others, the 16 percent cut for State and USAID that passed the House last month would be devastating to our national security.

It is no longer possible in the 21st century to say that you are walling off national security by going after non-defense discretionary spending. We are so much more integrated and interdependent, and it would force us to scale back dramatically on crit-

ical missions that are absolutely supported by Secretary Gates, Admiral Mullen, General Petraeus, and others.

Now, there have always been moments of temptation in our country to resist obligations beyond our borders, but each time we shrink from global leadership events summon us back to reality. Now, we saved money in the short term when we walked away from Afghanistan after the cold war, but those savings came at an unspeakable cost, one we are still paying 10 years later in money and lives.

We have, over generations, enabled Americans to grow up successful and safe because we've led the world, we've invested resources to build democratic allies and vibrant trading partners, and we did not shy away from defending our values, promoting our interests and seizing opportunities.

Having now traveled more than any Secretary of State in our history, I know that the world has never been in greater need of the qualities that distinguish us, our openness and innovation, our determination, our devotion to universal values. Everywhere I travel, I see people looking to us for leadership. This is a source of strength, a point of pride and an opportunity for the American people. But it is an achievement, not a birthright. It requires resolve, and it requires resources. And I look forward to working closely with you as we try to keep our country safe and maintain American leadership in the world.

#### LEAHY AMENDMENT

Senator LEAHY. Thank you very much, Madam Secretary. Senator Graham and I kind of whispered to each other that we don't know how you handle the jet lag with the amount you travel, but I feel fortunate this country has you representing us in the parts of the world where you go.

I'm going to ask a question mostly for the record about the use of the Leahy amendment. It's been the law for more than 13 years. It says if a Secretary of State has credible evidence that a unit of a foreign security force has committed a gross violation of human rights, U.S. aid to that unit stops unless the foreign government brings the responsible individuals to justice. We want to make sure that they are held accountable and that U.S. assistance is not used to commit a crime.

Recently, we have seen on the news the use of tear gas, clubs, rubber bullets and live ammunition against peaceful protestors in different parts of the world. I'm not going to go into all the countries where this would apply, but just look at the Middle East and South Asia—countries where aid is contingent upon the Leahy Amendment in, among others, Afghanistan, Bahrain, Egypt, Israel, Jordan, Iraq, Tunisia, Morocco, Lebanon, and Pakistan.

So I ask—you can provide this information later, but I'd like it within a week—have any military or police units in those countries I listed been deemed ineligible for U.S. assistance under the Leahy amendment?

Secretary CLINTON. Yes, Sir. We will do that.

Senator LEAHY. In Libya, the issue is not whether Muammar Gaddafi's regime will end, but when and how it ends and how many people are going to die needlessly before then.

Some Members of Congress have urged the administration to provide weapons to the Libyan opposition. I understand the sentiment, but I'm not quite sure who the Libyan opposition is. They have a number of different factions and tribes. Some seem loyal to Gaddafi. Some are opposed. Some seem to be trying to save their own necks and some seem opportunistic.

How do we go about arming these people, and know who to arm? Also, what's the administration's position on a NATO-enforced, no-fly zone over Libya?

Secretary CLINTON. Well, Senator, I think that all of these matters are under active consideration, but no decisions have been made, and for good reason, because it's not at all clear yet what the situation demands.

We are actively reaching out, for example, to Libyans who are working to bring down the Gaddafi regime. We only set up our Embassy in 2009. We did not have relations, as you know, for many years with Libya. We are working to understand who is legitimate, who is not.

But it is premature, in our opinion, to recognize one group or another. We have to keep our focus, at this point, on helping the Libyan people.

And I think it's important to recognize that there is a great deal of uncertainty about the motives, the opportunism, if you will, of people who are claiming to be leaders right now. I think we have to be focusing on the humanitarian mission and then gathering information as we can.

With respect to the no-fly zone, we have been discussing that with a lot of our allies and are looking at it, but there are many, many challenges associated with it.

So, at this time, we're focusing on how we can get medical supplies and food in to the people who are in safe enough zones that it can be delivered to assist them as they try to rid themselves of this regime.

#### INTERNATIONAL CRIMINAL COURT (ICC)

Senator LEAHY. The United Nations Security Council, in a unanimous vote, imposed sanctions against Libya, which I applaud. The ICC will conduct an investigation for possible prosecution of the Gaddafi regime for crimes against humanity.

The United States is not a member of the ICC. There's actually a prohibition in law, which I did not support, I might say, on U.S. support for the International Criminal Court.

If they were to ask the United States for information during an investigation so they could prosecute Gaddafi, his family or those around him, would we be able to provide that information?

Secretary CLINTON. We believe so, Senator. In fact, the ICC announced today they would be opening up an investigation file on Colonel Gaddafi and those around him.

We also have our own interest in pursuing an American investigation regarding Pan Am 103. Some of the comments that have been made by some of the Libyan officials that they know that Gaddafi personally ordered the bombing of Pan Am 103, and, as a Senator from New York, I represented many of the families of victims because there were many from Syracuse University.

So in addition to supporting the ICC where we can, we are reaching out through the FBI and the Department of Justice to see what else we can do to pursue justice for the victims of Pan Am 103.

#### OPEN AND FREE INTERNET

Senator LEAHY. I don't want to go beyond my time, but you recently gave a speech at George Washington University. You talked about the importance of protecting access to an open and free Internet. Again, I agree with you. And you also spoke about that a year ago.

Congress has provided \$50 million for efforts to keep it open. Twenty-two-million dollars of that has been spent. Is there a clear strategy for supporting Internet freedom and should we continue to fund that through State or other relevant agencies, including the Broadcasting Board of Governors?

Secretary CLINTON. Well, Senator, we are very committed to this. I've given two speeches on it. I've made it a high priority within the Department. We have awarded more than \$20 million in competitive grants through an open process, including evaluation by technical and policy experts.

This year, we will award more than \$25 million in additional funding, and we're taking what you might call a venture-capital-style approach. We're supporting a portfolio of technologies, tools and training, because, frankly, we don't know what will work best. This is a pretty new field.

Senator LEAHY. Fast-changing field, too.

Secretary CLINTON. Yes, and we, I have all these young tech experts who are doing this. So I'm just repeating what they tell me, but we are moving as fast as we can to deal with situations that are totally unprecedented.

When Egypt shut down the Internet, nobody had ever done that before. And then, you know, some bright young people figured out how to get around that with voicemail on cell phones. So we are in a real race on behalf of openness for the Internet versus those who wish to control it and limit its openness.

So I think we have moved as fast as we responsibly could and are funding what we think of as the best bets that will actually produce the best results.

Senator LEAHY. Thank you. Senator Graham.

Senator GRAHAM. Thank you, Mr. Chairman.

Madam Secretary, I think what you've done is going to become legendary, and the person who follows you should not try to duplicate this. It's not good for your health to constantly be in the air. I cannot tell you how I am impressed with your personal energy and the engagement you've offered on behalf of our country, and I really do appreciate it. I think we all are amazed at your work ethic.

#### IRAN

A couple of years ago, the young people took to the streets in Iran. They were met with a very brutal response, and they were upset about the election, which I think most of us would agree was probably not free, fair, and transparent. Looking back, do you think we missed an opportunity there?

Secretary CLINTON. You know, Senator, we spoke out at the time, and we were also not only conscious of but advised by people from within and outside of Iran that it was very important for them not to be seen as though they were in any way directed by, or affiliated with the United States and that this needed to be viewed as an indigenous Iranian movement.

So I think we struck the right balance, but, obviously, what we have seen in the year-and-a-half or so since is the brutality of the Iranian regime, its absolute commitment to repressing any kind of opposition.

And I have been upping, certainly, my rhetoric. We have, under the legislation passed by the Congress, the ability to designate human-rights abusers. We've been using that very dramatically.

Senator GRAHAM. Have we designated anybody in Iran as being a human-rights abuser?

Secretary CLINTON. Yes, Sir, we have. We have designated a number of them. I just designated some more of them a few days ago.

Senator GRAHAM. What is the highest official who's been designated?

Secretary CLINTON. I think—I don't remember—I'll get you all of that. The prosecutor general was somebody we just designated.

Senator GRAHAM. Would you consider Gaddafi a human-rights abuser?

Secretary CLINTON. I would consider Gaddafi a human-rights abuser, and I would consider the leadership of Iran as abusing human rights.

Senator GRAHAM. Including President Ahmadinejad?

Secretary CLINTON. I think that there is certainly evidence of that, yes, Sir.

Senator GRAHAM. Well, let's drill down to this. The idea of a no-fly zone probably is complicated, but it makes sense to me to make sure that the Libyan people will not have to face air power and that we have the ability to do that.

I understand the concerns about just passing out weapons to the Libyan opposition. You don't know who you're passing them out to.

Would it be smart if there was another uprising in Iran where the people took to the streets that we stand behind the people in the streets and impose a no-fly zone in Iran, if they used air power to oppress their own people or is that a different situation?

Secretary CLINTON. Well, Senator I think that I'm not going to speculate on a hypothetical.

Senator GRAHAM. Okay. Fair enough.

#### OIL FROM CANADA

Let's talk about oil. Gas prices are going to go up to \$4 a gallon. I think we're well on our way. Are you familiar with the oil sands in Canada?

Secretary CLINTON. Yes, Sir.

Senator GRAHAM. And the pipeline that's being proposed to be built from Canada to Texas, I think, Louisiana?

Secretary CLINTON. Yes, Sir.

Senator GRAHAM. I've been told that the second-largest-known deposit of oil is the oil sands in Canada and that it is equal to or



greater than Saudi Arabia and Iran, and there's some problem with the pipeline.

What's your view of the pipeline? Should America be trying to receive this oil from Canada?

Secretary CLINTON. Well, Senator, since my Department bears the ultimate responsibility for making a recommendation on the pipeline, I am not able, at this time, to express an opinion.

Senator GRAHAM. Are you generally supportive of receiving more oil from Canada and less from the Middle East?

Secretary CLINTON. I am generally supportive of receiving more oil from Canada. I am absolutely supportive of us doing more in energy efficiency and renewables and looking for clean ways to use our own resources as well.

#### TROOP WITHDRAWAL AND STATE'S ROLE

Senator GRAHAM. Well, let's go to war zones. Now, in Iraq, by the end of the year, according to the agreement negotiated by the Bush administration, all American troops are supposed to withdraw by 2011. Is that correct?

Secretary CLINTON. That's correct.

Senator GRAHAM. Now, come 2012, there's a lot still to be done in Iraq, and you will be the lead organization. Is that correct?

Secretary CLINTON. That's right, Sir.

Senator GRAHAM. That is a major obligation.

Secretary CLINTON. Yes, it is.

Senator GRAHAM. Probably never undertaken in the history of the State Department. What would it take for you to safely and effectively do your job? Are you going to have to build a State Department army to provide security? How do you get around? And if the Iraqis ask for some American troops, at their request, to stay behind to provide force protection, training, intelligence gathering, and logistical support, would you believe it would be wise for us to agree to some level of troop presence in 2012?

Secretary CLINTON. Well, Senator, first let me say it is unprecedented. We have been planning, as a State Department, since the Bush administration. There was not only a Status of Forces Agreement signed, but also a strategic framework agreement signed, and, in that, in the Bush administration, we agreed with the Iraqi Government that we would provide a significant presence, we would continue to provide support for police training and other functions.

Senator GRAHAM. Are you worried about the safety of your people—

Secretary CLINTON. Yes, Sir. Yes, Sir, we are worried.

Senator GRAHAM. I am, too.

Secretary CLINTON. We are worried.

Senator GRAHAM. How many people would you envision being in Iraq to do the jobs that you'll be tasked to do?

Secretary CLINTON. I think we're looking at thousands.

Senator GRAHAM. I mean like more than 10,000?

Secretary CLINTON. More than 10,000, yes.

Senator GRAHAM. And we've got to realize, as a subcommittee, we're going to have 10,000 American citizens, all civilians, trying to do business in Iraq, all over the place, with no troops.

Secretary CLINTON. Well, in fact, we have a total of about 17,000 civilians and the great proportion of those will be private security contractors.

Senator GRAHAM. And that is basically a private army replacing the American military. So I'd like us to think long and hard as a Nation whether that make sense. You being in the lead makes perfect sense.

Now, let's move quickly to Afghanistan in 42 seconds. You're negotiating a strategic framework agreement with the Afghan Government. Is that correct?

Secretary CLINTON. We call it a strategic partnership dialogue, but that's what it is.

Senator GRAHAM. Okay. And the surge of military forces has an equivalent civilian surge, is that correct?

Secretary CLINTON. Yes, Sir.

Senator GRAHAM. General Petraeus has told me, you, and everyone else he cannot win the fight in Afghanistan without you, USAID, Department of Agriculture, and Department of Justice. Is that correct?

Secretary CLINTON. That's right.

#### JOINT BASING

Senator GRAHAM. Now, do you think it would be wise for this country if the Afghans made a request, as part of this negotiation, to have joint basing past 2014, where they request our presence, where there would be a joint basing arrangement with American air power and special forces capability to ensure that we maintain the gains that we've fought so hard, as a signal to the region that America is not leaving this place in a helpless situation? What would be your view of such a request?

Secretary CLINTON. Well, Senator, it's not only the United States, but NATO—

Senator GRAHAM. Absolutely.

Secretary CLINTON [continuing]. At the Lisbon Summit made a commitment that we will be supportive of the Afghans after 2014 when our combat mission ends.

There are many ways to achieve that. We have ruled out permanent American bases, but there can be other ways where we provide support for the Afghans.

Just as you referenced with the Iraqis, they have not asked us for anything, but they have huge gaps in their capacity and they are in a very dangerous neighborhood, so they may well come to ask.

But that's a very different situation, because, then, we have fulfilled our obligations. Our combat troops have done their duty, some to the greatest possible sacrifice. And, now, it is a nation asking for the United States' continuing support, and that will be up to this Congress and this administration to evaluate.

Senator LEAHY. Senator Brown.

Senator BROWN. Thank you, Mr. Chairman—

Senator LEAHY. And then we'll go to Senator Kirk. I'm going back and forth in the order that Senators arrived.

Senator BROWN. Thank you, Mr. Chairman. And, Madam Secretary, welcome. It's nice to see you.

## LABOR RIGHTS

Want to talk about labor rights. The Obama administration announced that the United States would use the labor chapter of the Central American Free Trade Agreement, which, as you remember, passed the House in a late-night vote by only one or two votes, and passed the Senate a bit more comfortably.

Many were concerned about already violations of labor laws and other reasons, other reservations some had about the Central American Free Trade Agreement.

To its credit, the Obama administration set the State Department working with the Labor Department; have approached Guatemala on enforcement of this.

It has been 6 months since the formal consultations with Guatemala began. The Government of Guatemala has not taken steps to remedy its failures to enforce labor laws. The complaint remains unresolved. Is the administration proceeding to some kind of arbitration with Guatemala?

Secretary CLINTON. Well, I informed the foreign minister in our last meeting last month that we were going to have to pursue our remedies because they have failed to respond in a satisfactory way.

Senator BROWN. Putting aside Guatemala for a moment, does that mean that our trade agreements, labor laws are not as—either as strong or as enforceable as they might be?

Secretary CLINTON. No. I think that that may be true in some cases, not in other cases. But, certainly, we have been trying to work with the Government of Guatemala to resolve this matter, short of mediation, short of trying to use the remedies that are available to us, and we have not been satisfied. So we are looking at going to the next step.

Senator BROWN. Again, putting aside Guatemala, are there efforts, in conjunction with the Department of Labor, for those two arms of the U.S. Government to look at all of these trade laws that we have passed here, understanding that the reluctance of many of us to vote for trade agreements is based on environmental issues, in some cases, shift of power to private corporations away from democratically elected governments, but also labor law itself? Are there sort of ongoing efforts by State and by Labor to look at potential labor-law violations with whether it's a bilateral or multi-lateral trading partner through free trade agreements?

Secretary CLINTON. Yes, and I think this is a very important issue that often doesn't get enough attention in a strategic context. And by that I mean, in and of itself, the abuse of human beings in labor situations, child labor, other kinds of conditions that are just not acceptable, need to be addressed, and we have to get smarter about that, not only in what we do, but internationally.

But, also, if you looked at what happened in Tunisia and, to some extent, what happened in Egypt, the secular opposition is coming out of the trade-union movement.

In Tunisia, the best organized group, other than what is clearly going to be a well-organized Islamic political presence, will be trade unions.

In Egypt, the best organized group; other than the Muslim Brotherhood, are trade unions.

We supported trade unions in Poland. That's how we got Solidarity. We have supported trade unions in other areas, but then we stopped doing it as a country. And I think we've got to be smart strategically about what are the levers that can best be employed to help create indigenous, organized centers of power and influence that are not going to be prey to ideology and radicalism.

And I think that going back to what we did in the 1970s and the 1980s in supporting trade unions in a lot of these emerging democracies is very much in our interests.

Senator BROWN. You might say it's also happening in Madison and Columbus and Trenton, but that would be a whole other issue.

Let me shift to—

Secretary CLINTON. Politics.

#### INFECTIOUS DISEASE

Senator BROWN. Yes. Let me shift to something else, something that Chairman Leahy has been so very involved in and that is—and Senator Durbin—and that is infectious disease in the developing world.

There's a new diagnostic tool called GeneXpert, X-P-E-R-T, which can detect drug resistance, identifying tuberculosis in people living with HIV/AIDS. Most people that die of HIV/AIDS—I believe, most people, well more than 50 percent—in the developing world are actually dying from something like tuberculosis, often drug-resistant tuberculosis.

This GeneXpert can deliver results in about 90 minutes, all clear advantages over the standard microscope method which was developed literally 100 years ago. I mean, we haven't had that much—except for some of the antibiotics—haven't had that much progress in tuberculosis (TB).

Fulfilling the administration's \$4 billion pledge, the Global Fund will be critical to financing the rollout of this diagnostic.

Talk to us, just for a moment, if you would, how the administration will use its resources to capitalize on the opportunities for this new diagnostic for TB.

Secretary CLINTON. Well, that's the kind of opportunity that we need to be seizing, but, unfortunately, Senator, under the fiscal year 2011 spending bill moving through the House, critical global health programs are going to be cut dramatically, and it's going to jeopardize the progress we are making all kinds of ways.

For example, 5 million children and family members are going to be denied treatment for malaria, and 3,500 mothers and more than 400,000 children under 5 are going to be losing the opportunity for child-survival interventions.

And when you talk about infectious disease, more than 16 million people are going to be denied treatment for tropical diseases, 43,000 children and families will die from tuberculosis, because they'll be denied treatment, and 18.8 million fewer polio vaccinations and 26.3 million fewer measles vaccinations would occur. And that's just on our best estimate about what will happen if the 16 percent cut to our budget that's in the House proposal goes forward.

So when you talk about what we should be doing to get ahead of disease, we're going to be so far behind instead of what we've

done over the last 2 years to establish a strong platform that is really going to strengthen our response. And investing in the GeneXpert program, investing in some of the breakthroughs and stopping the transmission of HIV/AIDS, all of that is going to be very difficult for us to fund.

Senator BROWN. On a similar health issue—and I understand my time has expired—cuts to international family planning I assume will result in more maternal deaths, more abortions, more unintended pregnancies, more all kinds of afflictions in the developing world. Correct?

Secretary CLINTON. That is certainly my belief, and I think that is backed up by significant experience and evidence.

Senator BROWN. Thank you. Thank you, Mr. Chairman.

Senator LEAHY. Thank you. I know Senator Graham talked about the Keystone oil sands project, and you also have a letter from several Senators which I also signed.

Senator Kirk.

Senator KIRK. Thank you, Mr. Chairman. Mr. Chairman, I'm just 60 days new to the Senate and to this subcommittee, but I first worked on my first foreign ops bill 27 years ago as a staffer, and I think I've known Tim Rieser for 20 of those years now. So I feel very happy to be here finally on the other side after having been on the House Foreign Ops Committee.

I wanted to raise two issues with you. First, with regard to Iran, under your husband's administration, we passed the Iran Sanctions Act. That was way back in 1996. The Congress then enhanced that in July 2010.

The Government Accountability Office has identified 41 companies that are potentially in violation of one or both of those statutes. CRS reports 29 such companies in probable violation.

In December, Under Secretary Burns told the House that we have launched a formal investigation of these companies, but, as yet, the State Department has only designated one entity, a Swiss-Iranian entity called NICO, as in violation of the Iran Sanctions Act, and then the 2010 legislation.

How many companies do you have currently under investigation now at the State Department for violating one or both of these statutes?

#### IRAN SANCTIONS

Secretary CLINTON. Well, Senator, first, let me say that I was the first Secretary of State to impose sanctions. You're right. They were passed in the 1990s and nobody imposed sanctions until I did. And we are actively considering a number of other companies.

I think we've commenced investigation across the board. I will provide you with that information. Some of it is classified. Some of it is not, but I'd rather give you a full answer in a classified setting or classified document.

Senator KIRK. I appreciate that very much.

A second topic in the news recently, great concern to me for a long time, is expanding piracy in the Indian Ocean. This is a map showing their range in 2008, in 2009, and 2010. Obviously, with the murder of four Americans now, it's a front page in the news.

We have deployed significant naval forces there under a Task Force 151, but it would appear—and my read of the administration is you and others think that we may have crossed a dividing line or a turning point. I would say that if we can't be tough on pirates on the open seas we can't be tough on almost anything.

The second Washington administration committed upwards of 10 percent of all revenue to paying off the Barbary Pirates. President Jefferson finally decided it was too expensive and too dangerous and authorized the very small U.S. Navy in its first mission to take on the Barbary Pirates, which required close-quarter action and led to a hero named Stephen Decatur, which Decatur, Illinois, is named after.

It would appear that up close and personal combat on the high seas is necessary by the United States to suppress this. I would just point out the main ports, especially of Agarside and Hobyo; seem to be where they're operating. It would make sense for us to station a U.S. naval vessel, say, 12.1 miles off the coast of Hobyo and basically attack and sink anything coming out farther than that.

How are we on crossing this divide and now basically recovering our Jeffersonian tradition of getting active with the private trade?

#### PIRATES VS. TRADE

Secretary CLINTON. Well, Senator, I look forward to working with you on this, because I share your outrage, and it is a matter of great concern to me with the deaths of the four Americans on the *Quest*.

We have put together an international coalition, but, frankly, we're just not, in my view, getting enough out of it. So we're looking at a lot of different options. I've tasked the State Department to come up with a much more comprehensive approach. We're working with the Department of Defense.

And I would make three points. One, one of our big problems is that a lot of the major shipping companies in the world think it's the price of doing business, and they're not pressuring their governments. They're not particularly concerned. They pay a ransom and they just go on their merry way. That has been a huge problem.

Second, naval ships that have been involved from, I think now, something like more than 20 nations just have not been willing to really put themselves out. They're happy to patrol and they're happy to say they are and then kind of count themselves as part of the coalition against piracy, but when push comes to shove, they're not really producing.

And, third, it's hard to imagine that we're going to be able to resolve this until we go after their land-based ports.

So I will be happy to get back to you with the results of our efforts, but you're right. I mean, from the shores of Tripoli, I mean, we were talking about this at the dawn of the American Government, and here we are back with 21st century piracy, and I'm just fed up with it and we need to do more and we need to make it clearer that the entire world had better get behind whatever we do and get this scourge resolved.

Senator KIRK. I read from the tea leaves. I think you are very forward leaning in the administration on this, and I want to encourage you. I think that's great. And I do think military action, not necessarily boots on the ground, but military action——

Secretary CLINTON. No, not boots on the ground.

Senator KIRK. Right, but military action. Once they come on the high seas, they're on our territory. We have overwhelming military advantage. Since Somalia doesn't have much of any kind of maritime trade, anybody more than 12 miles off the coast moving out into the Indian Ocean, basically, I think, is subject to attack and sinking by international——

Secretary CLINTON. Well, they also have these mother ships.

Senator KIRK. Right.

Secretary CLINTON. So even if they are small fishing vessels, that's one thing, but they're now launching their attacks off of these so-called mother ships. So I think there's ways to make distinctions.

Senator KIRK. Yes. And a standard procedure would be just to put a round into the rudder of the ship. At that point, they run out of food and water, but it's too bad that they made this——

One last thing then, since I have time. I'm concerned about, in the age of budgetary constraint, to continue your momentum in expanding the United States diplomatic footprint in China.

We don't have a domestic terrorism threat in China, and so expanding a United States diplomat in a nonclassified environment with basically an office key and a door lock, I think is entirely appropriate.

And what U.S. exporters tell me is they follow the flag. So, for example, we have a very expensive new consulate in Wuhan that was established, but all those—security standards, et cetera, generate extraordinary costs. And since we have more than 100 cities in China of very large size, just putting one or two diplomats behind a regular office door, I think, is an acceptable level of risk and has tremendous upside for exports of the United States.

In a way, too, have you kind of conquer the security god and move this forward, because I actually—I don't see we have kind of terrorism danger in Central China, but this would have a huge upside for United States exporters.

Secretary CLINTON. Senator, one of the major issues that I raised in the QDDR was risk management. We have gone so far onto the side of trying to think of every possible risk and then protect against it that I do think it can hobble us.

And so I will take a close look at what more we can do in China, because China is, as you know, very aggressive diplomatically all over the world.

Senator KIRK. Right.

Secretary CLINTON. And they are increasing their diplomatic footprint everywhere, and we've got to be competitive, including within China.

Senator KIRK. That's right. Mr. Chairman, I just think this is a possibility because it's one of the few countries where we don't have a domestic terror threat against U.S. diplomats, and so lower-cost office solutions may be the way to expand the footprint at low cost to this budget. Thank you, Mr. Chairman.

Senator LEAHY. Thank you. Something that I've been saying for years, so, obviously, I'm agreeing.

Senator Mikulski.

Senator MIKULSKI. Madam Secretary, it's just wonderful to see you back in the United States Senate, and like all of our colleagues, we welcome you.

My gosh, 79 countries, 465,000 miles, I mean, that's a lot of travel to advance America's interest, but it is not only the time you spent, the mileage you travel and the energy you put into it, but the results that you've demonstrated.

We're very proud of you as America's top diplomat in the way you've represented the United States of America, the great way you've negotiated very important breakthroughs, whether it's the help with the new NATO construct or continued momentum in the Middle East with the Palestinians and the Israelis, and not forgetting the poor and the dispossessed and the women and children. So we want to thank you.

But as the CEO of the State Department, I'd also like to salute the men and women who work for you and, therefore, work for the United States of America, our people in Foreign Service and our people who work for USAID, often not as valued, not as treasured, but out there in the front lines.

And in saluting them, I want to talk about the consequences of the continuing resolution, not only to our diplomatic issues, to the advancement of soft power that wins the results where we've expended hard power.

But could you tell me, as we look at this continuing resolution and the consequences of the continuing resolution and the consequences of H.R. 1, first of all, what is the impact on the morale of the State Department knowing that they face shutdowns, know that they face draconian cuts, and, yet, at the same time, they are serving in harm's way along with our most valued military? How is the morale there?

#### STATE DEPARTMENT MORALE

Secretary CLINTON. Well, Senator, thank you for your concern. You know, I think morale is very high. It's been high because we have worked to try to support our diplomats and our development experts, both in the Foreign Service and Civil Service as well as the thousands of locally engaged staff that we employ.

And I think that there is a great sense of mission about what people are doing. They know, you know, for example in Senator Coats' old stomping ground of the Embassy in Germany, we cut the public affairs budget in Germany and the ambassador there, Ambassador Murphy, worked with us, even though it meant that he wasn't going to have all the people and the resources, because we had to move that to the Middle East. We had to move that to other parts of the world where the need was so much greater.

And we've had a terrific sense of cooperation. We've had so many people who have served in Iraq and Afghanistan. When I took over, there were 300 civilians in Afghanistan and they were on 6-month rotations, and, now, there are 1,100, and they're there really doing the work that needs to be done.



But, at the end of the day, you know, budgets are about values. They're about priorities, and if it appears as though nondefense discretionary means that the Defense Department keeps getting what they need to fulfill their mission for America and we've been running as hard as we can to be the partners that our military wants from us and we don't get that kind of support, well, obviously, that's going to send a very loud message that, you know what? After all, we were just kidding. We're handing Iraq off to you. Just figure out how to do it. We don't have the money for you. Just get out there and make it work. I mean, it just doesn't add up. So, of course, there's going to be a lot of concerns, but this is a really motivated team we have right now.

Senator MIKULSKI. Well, I really appreciate the fact that they're motivated, but they also have to be compensated and that has to be recognized.

I would hope that those on this subcommittee and those in the United States Senate would recognize if we do fence off in our budget deliberations security people that we need to look at the State Department and as people who were particularly serving abroad.

But could you tell me the consequences of H.R. 1 on national imperatives? On page 5 of your testimony, I was indeed struck by the fact, as you shared with House colleagues, the concern that this could dramatically impact on Iraq, Afghan, and Pakistan. Could you share with us what that would mean?

Secretary CLINTON. Yes, Senator. Thank you.

Senator MIKULSKI. You talked about the impact on the Global Health Initiatives—

Secretary CLINTON. Right.

Senator MIKULSKI [continuing]. With Senator Sherrod Brown's questions.

#### BUDGET ISSUES

Secretary CLINTON. Right. Well, one-half of the State, USAID budget increase from fiscal year 2008 base appropriations has funded the military-to-civilian transition in Iraq, the civilian surge in Afghanistan and the expanded support of our efforts to fight terrorism in Pakistan. Significant cuts to the budget could profoundly compromise ongoing and critical efforts in those front-line states.

In the Middle East, proposed cuts would force us to scale back help and undercut our influence at a particularly crucial time. We would be also cutting back on what I think is an important part of our economic efforts to create jobs with the people that literally are out there every day trying to fight the Chinese or fight the Europeans to make the sale for an American business located back here at home.

Peacekeeping in critical areas where we help to fund what is done in Darfur, Congo, and many other places.

We have so many issues that we now see as directly related to our national security that would be severely impacted, and, I would argue, derailed by the size of the cut in the House-passed budget.

Senator MIKULSKI. That's pretty powerful, and we've also heard—in fact, it's very powerful.

Baltimore is the home to iconic international agencies that serve the world, from Catholic Relief Agency, serving the poor and the dispossessed all over the world, but particularly in Central and Latin America; the Johns Hopkins School of Public Health, delivering global health services and training leaders to be there, and they, too, express concern about this.

But I'd like to shift gears a minute to the Twitter revolution that's going on in the world and to places like Egypt, et cetera.

The role of social media has been indeed stunning from a fruit grower setting himself on fire in Tunisia to the possible fall of Gaddafi that's imminent on the kinds of questions that Senator Graham was raising is so powerful, and we would have never predicted it.

Now, tell me, the State Department has a role in winning hearts and minds, being up on the latest and greatest media and so on. What role do you see where, one, you knew what was going on? And, second, how do you see staying in touch with the young people of these regions that obviously are yearning, have aspirations that are not Shahada aspirations? They're economic and democratic—small—aspirations.

Secretary CLINTON. You're absolutely right, Senator. The evidence is overwhelming that it is economic concerns that are driving so much of what we're seeing. You know, a university graduate who had to work as a vegetable seller and then was harassed by corrupt police looking for a bribe, a Google employee who was fed up because a young blogger was pulled out of a café and beaten to death by security forces in Alexandria.

So time and time again we see how security and economic opportunity really collide, and it's being played out in real time in Twitter, Facebook and other social media.

I started shortly after becoming Secretary of State a kind of little mini-think tank inside the State Department to see how we were going to play, and going back to Senator Graham's question, one of the first things we actually were able to do was during the demonstrations after the Iranian election when the Iranian Government tried to shut down social media, these young people were able to help keep it open, even including calling and trying to make sure that the companies doing it understood the importance of that communication network.

So fast forward, we now have a Twitter site in Arabic, a Twitter site in Farsi. I am putting a lot of our young diplomats who speak Arabic out on every media you can think. I did a Web chat with an Egyptian Web site. On 2 days' notice, they went out into Tahrir Square, they gathered 7,000 questions for me. We are really trying to play in that arena as best we can.

And I would only add this, because I'm passionate about it: The United States did an amazing job during the cold war. We sent our values, our culture, our inspiration across the Iron Curtain through Voice of America, Radio Free Europe. I mean, we were on the front lines.

The Berlin Wall falls, you know, we kind of said, okay, fine. We're done with that.

We are in an information war, and we cannot assume that this huge youth bulge that exists, not just in the Middle East, but in

so many parts of the world, really knows much about us. I mean, we think they know us and reject us. I would argue they really don't know very much about who we are. They don't have the memory of World War II and the cold war and Jack Kennedy and all. They don't have any of that context.

And what we send out through our commercial media is often not very helpful to America's story. I said this morning before the Senate Foreign Relations Committee that I remember early in—right after the Afghan war started—meeting an Afghan general who said he was so surprised because all he knew about America was that men were wrestlers and women wore bikinis, because all he ever saw from American television was World Wide Wrestling and Bay Watch. That was it.

So we have a great cultural export, but we're not competing in the way we need to compete in the information-values arena. Al Jazeera is. The Chinese have opened up a global English network and a network in other languages. Russia has opened up a global English network. We are missing in action.

You know, we kind of figure, okay. Well, you know, our private sector we spend gazillions of dollars and we pump out all of our networks around into hotel rooms around the world. The fact is most people still get their news from TV and radio. So while we're being active in on-line new media, we have to be active in the old media as well.

And I talked with Senator Lugar this morning about our Broadcasting Board of Governors. Walter Isaacson is the new chair. He's really committed to this. But I would really welcome this subcommittee's attention because why are Americans watching Al Jazeera? Because we don't have anything to compete with it so they're turning to Al Jazeera. And so let's try to figure out how we're going to win the information war.

Senator LEAHY. Thank you. We'll go next to Senator Coats and then to Senator Lautenberg.

Senator COATS. Thank you, Mr. Chairman. Madam Secretary, I just want to associate with what my colleagues have said about your extraordinary commitment to a world which has wildfires all over the place. It's not just one or two things you have to stay engaged in, and your commitment to that and perseverance is remarkable. I'm not sure how one person can possibly do all that you've done and are doing, but we commend you for it.

What's happening in the Middle East, I think, has all of us raising questions about something I guess we didn't think we would see in our lifetime. I remember growing up thinking, well, the wall will never come down. We'll always be dealing with a cold war. We've seen the extraordinary change that took place then.

In that regard, we, I think in some cases, saw it coming, and anticipated not the wall collapse necessarily, but a change taking place, where we could help foster the growth of democracy. And there were bumps in the road and it was not easy, but we engaged there.

Now, we have a whole new situation in the Middle East that is not dissimilar to the fact that countries under despotic leadership are suddenly given the opportunity or trying to seize the oppor-

tunity of providing for a more democratic situation in terms of governance, so forth.

But the question is back then we were not in the financial situation domestically that we are in now, and so the question is how do we engage in doing the things that we've been talking about here, now, with what potentially could be a tremendous opportunity?

Secretary CLINTON. Right.

Senator COATS. I mean, it's easy to look at the negative side of this—what's happening and say woe is us, and what's going to happen? There's also potentially a great upside to all this.

So the question is, at a time of limited resources, how do we begin to address some of the kinds of engagement that can help promote a more peaceful, stable democratic type of Middle East?

The question I have relates to the amount of flexibility that you have or might need to have and also the ability to say move funds from certain buckets in a sort of a surge capacity?

And as I look at the various programs that we have in place, all of which provide important support, I'm just wondering if it wouldn't be possible—because I think the budget was developed before much of what's happened in the Middle East took place—if it wouldn't be possible to try to steal from Peter to pay Paul, I guess, in some of the programs that are currently in the budget—for instance, the educational exchange, the Millennium Challenge account, the Assistance for Europe, Eurasia and Central Asia account, the U.S. Agency for International Development development and so forth.

Would it make some sense to look to see where we might be able to ratchet down or get some savings out of that to transfer into some type of coordinated effort now in the Middle East? And if that's the case, what would it take from us to help you be able to do that?

Secretary CLINTON. Well, Senator, I appreciate that, because we have started that. We have tried to cut back in areas, particularly in Europe and Eurasia, where we think we have the ability to do so.

I'm always a little reluctant, because I'll say this today and then tomorrow there'll be some crisis in the Caucasus and people will say, well, why weren't you paying attention to that? So it's a dilemma.

We have tried to keep our base budget as flat as possible, and in it is the way we run all of the departments.

Now, some of what we generate in the Department—about \$700 million on passport fees—goes right into the Treasury.

So we perform the services. We keep having higher demand in areas that we have to meet for the American people because your constituents won't like it if we say, well, wait a minute. You have to wait on your passport, because we're shifting money into the Middle East.

So we've got to be constantly asking ourselves those questions, but I think we'll have the opportunity to really engage in this over the next weeks, because I know that the Senate is facing a difficult set of decisions.

My only plea is let's not take a cleaver to it. Let's try to be as surgical as possible in figuring out what is really in America's national security interests, how we prioritize.

And I agree with you that the region from Morocco to Bahrain is in a transformational period of change. We have a lot at stake in what happens there, and we particularly want to be influential in whatever transition occurs in Tunisia and Egypt. But we've got to keep our eye on all the other moving parts, too, because we have energy needs, for example. We have Iran trying to fill the void with their narrative.

So I think this is an area of great peril, but great potential, and I will certainly try to work with the subcommittee to figure out how we can meet the needs there.

But I also have a responsibility to make sure that while we're focused there we're not leaving Sudan to crumble into becoming a huge Somalia. So, I mean, it's a constant evaluation, but we'll certainly work closely with this subcommittee to try to get to the best possible outcome.

Senator COATS. I assume some of our allies have come to the same conclusion, that it's in their interest, both from an energy standpoint, immigration standpoint, social-economic standpoint, political standpoint to be engaged. What kind of communications have you had with our friends in Germany, Italy, France, and other countries that will want to, hopefully, in some kind of coordinated effort engage in this kind of thing?

Secretary CLINTON. That's exactly what we're trying to do. On Monday, I met with the four foreign ministers from Great Britain, France, Germany and Italy. I met with the high representative for the European Union. I met with the Russians, the Turks, just a lot of people, but particularly with our European allies to talk about how we're going to coordinate so we don't duplicate, so that we have a much better sense of how we're going to deliver on what the people of these countries are seeking.

I would point out—because I thought it was very significant—the conservatives in Great Britain have gone through a very brutal budget-cutting effort, as you know. However, they increased their commitment to foreign aid, and they did so because Prime Minister Cameron said, this is how we demonstrate we're involved, we're leading, we're out there. And I thought it was an interesting decision on his part, because he said he thought it was a way of making sure Britain still had the ability to lead.

So while we coordinate, they're all facing their own challenges. Some of them are making the decision that this is a high enough priority that it should go ahead of even domestic priorities.

Senator COATS. Thank you, Mr. Chairman. Thank you, Madam Secretary.

Senator LEAHY. Thank you, Senator Coats, Ambassador Coats, and welcome to the subcommittee too.

Senator LAUTENBERG. Thanks very much, Mr. Chairman.

Greetings, Madam Secretary, and I must tell you that, as we listen to your response to the multiplicity of questions that you have to deal with, that you're as good up front as you are all of the fronts of the world. And it's been terrific to see your energy and

your vitality taking you to places, and, as I said when you were here for a moment, you don't even look tired, which is amazing.

And I don't know whether or not you will outrank all preceding Secretaries of State for frequent-flyer mileage, but I think you're quickly approaching that point. And we're so grateful for the excellent, excellent service that you've rendered the country and the world, and we want you to continue.

Madam Secretary, thank you for the reminder that things done through diplomatic channels might substitute for, in some cases, military action, and that's a very important reminder, that we can save lots of lives, lots of grief and lots of money in the process if we can do that. So we thank you for that.

Now, we've seen that there may be new evidence that Gaddafi himself ordered the Pan Am 103 bombing, and you mentioned the number of people that perished, and we had a large number also in New Jersey. And the former justice minister for Libya told a newspaper last week, and he said, "I have proof that Gaddafi gave the order about Lockerbie." And I am pleased that you said yesterday that the Justice Department would look into this matter.

Now, is it possible that Muammar Gaddafi could be tried for murder if captured, and would that be something that we could pursue? We said that al-Megrahi was the perpetrator, but he got instructions from the top.

#### GADDAFI CONNECTION TO PAN AM 103

Secretary CLINTON. Well, Senator, I share your deep feelings about the bombing of Pan Am 103, because we both shared constituents who were so deeply and tragically affected by that, and I think justice must be served.

The United States was very adamantly opposed to the release of al-Megrahi, and we have a pending investigation in the United States District Court in the District of Columbia of the bombing of Pan Am Flight 103.

So we have reached out to our colleagues in the FBI and the Department of Justice because they have the lead, as you know, in this, but urging them to evaluate any and all information for its potential use as evidence in the further investigation of this case.

Now, I think that anyone who might have been connected—because I don't think it would have been just him, I think there are others around him who might also have knowledge or even participated in the order—should be pursued.

And in the Security Council resolution, we made a referral to the International Criminal Court, but this is a separate American investigation. So I think that both should go on simultaneously.

Senator LAUTENBERG. I wonder whether there is a point in time or a point in action when the debate over the no-fly zone and its complications might be accelerated, if they continue with their murderous attack on civilians using aircraft. Would there be any acceleration of pace that might say, hey, enough of that, and we're going to stop it in its tracks?

Secretary CLINTON. Well, I think all of us want to see an end to the killing. There are a lot of complications. One of them is that in the Security Council resolution that was passed there was no authorization for military action. The Arab League put out a state-

ment this morning saying that they strongly opposed foreign military intervention. So in addition to the logistical challenges that are posed to our or any military, there are very strong political expressions of opposition.

And I think it's important that the United States not be seen as some radical that Web sites are trying to portray us, that whatever we did in a military capacity was not for the people of Libya, but for oil. I mean, we cannot afford for that to even be a narrative out there.

So this is complicated from every perspective, but NATO, under Secretary General Rasmussen, is looking into what might be done through NATO. Our Defense Department is looking into what might be done through the Defense Department.

My immediate concern right now is that we do everything possible to support the humanitarian mission. I want to see American planes and American ships that are bringing food and supplies and ferrying Egyptians back into Egypt. I want us to be seen as really actively supporting the humanitarian needs. And I think it's going to take a lot more consideration before there'll be any judgment about anything approaching military action.

You know, General Mattis, CENTCOM Commander, testified—I don't know if you were there, Senator—at the Armed Services Committee yesterday, and he basically said, first, you have to take out all the airfields. There were both pros and cons of our no-fly zone in Iraq for years.

So I don't want to substitute, certainly, my judgment for our professional military's assessment. I want to focus on what I can do, which is the humanitarian mission, and I think having military assets support us is a really strong message about who we are as a people.

Senator LAUTENBERG. I want to last ask one thing, and I applaud President Obama's rescission on the Mexico City policy, known as the Global Gag Rule, and the House's fiscal year 2011 continuing resolution would bring back this damaging policy.

What kind of an impact would that have on the reinstatement, if we did it, the Global Gag Rule, on the return of mortality and women's health across the world?

#### WOMEN'S HEALTH

Secretary CLINTON. Well, I believe strongly it would be detrimental to women's health around the world. I think that what we have tried to do is to follow the law, making clear that we do not support abortion, but that we do support family planning and we do support providing quality care to women.

You know, this is a passion of mine, Senator, because there are still too many places in this world where women are treated not just as second-class citizens, but hardly human beings. And we have to support women's health and women's empowerment and give women a voice in their own lives, which actually is one of the best tools we have to try to move societies to become more democratic.

So the administration is committed to ensuring that our agencies, international organizations and nongovernmental organiza-

tions have the ability to develop and deliver long-range women's health programs, including reproductive health programs.

Senator LAUTENBERG. Thank you very much, Madam Secretary. Thanks, Mr. Chairman.

Senator LEAHY. Thank you, Senator Lautenberg. Senator Johnson, another new member of the subcommittee. Welcome and please go ahead, Sir.

Senator JOHNSON. Thank you, Mr. Chairman. Thank you for your warm welcome and that of Senator Graham.

Madam Secretary, it is nice to meet you.

Secretary CLINTON. Thank you.

Senator JOHNSON. I'd also like to thank you for your hard work and efforts. I think it's obviously not gone unnoticed.

I'd like to start out just by asking your evaluation of the strength and the intentions of the Muslim Brotherhood in Egypt.

#### MUSLIM BROTHERHOOD IN EGYPT

Secretary CLINTON. Senator, this is a continuing assessment on our part, because there is no doubt that for years the organization was opposed to President Mubarak and was also promoting an effort to impose Islamic law on Egypt.

There are those who claim now that they are prepared to participate in a democratic system, which means that they would have to compromise, which means that they would have to respect the institutions, and, in particular, respect the rights of minorities and women, including the Coptic Christians.

I think that our perspective has been that we think, as Egypt moves toward constitutional amendments and the laws necessary to set up political parties, that they must make absolutely clear that no political party can be committed to the overthrow of the government, can be unwilling to support an inclusive society—including Christians, women and others—and it is going to be difficult to judge until we actually see what happens, but we have expressed a lot of cautions and we'll continue to do so.

Senator JOHNSON. On a scale of 1 to 10, what's your level of concern about their ability to take over that government and turn it into an Islamic republic?

Secretary CLINTON. Well, I think that the experience that the world remembers from Iran is a very sobering lesson. When that government came into being, it was claimed by the religious authorities that it would be a secular government. It proceeded to organize itself. It appointed ministers for finance and defense and everything else you have ministers for.

And then the Ayatollah Khomeini appointed clerics to shadow each of the ministers, and, within a year, it was a theological-based government. And, now, it's got this hybrid, where the real power lies with the clerics, but there's an elected—so-called elected—president. Everyone is very concerned, especially in the region, and especially the people who were part of the movement to bring democracy to Egypt and similarly, in Tunisia.

You know, Senator, we don't have control over a lot of what's going on, but I think we do have an obligation to work with those who we believe are committed to true democracy, which is not just having an election and then calling it quits, but supporting the in-



stitutions of democracy—an independent judiciary, a free media and everything else—and it's not clear to me whether a religiously based party will commit to that, and we're just going to have to wait and watch.

Senator JOHNSON. That's fair enough.

I totally agree with you about the power of information, and we talked about the Internet initiatives. And I'd like to have your evaluation in terms of the priority of our information initiative. I mean, what are the components that you want to most emphasize in that region of the world?

#### INFORMATION INITIATIVE

Secretary CLINTON. You know, I've been consulting with the new chair of the board of the Broadcasting Board of Governors, which is our governmental entity that's not in the State Department—it's connected to the State Department—that runs our Voice of America, our Radio Free Europe, et cetera.

But I believe that we've got to take seriously recommendations that were made a year ago in an excellent report that Senator Lugar and his staff issued about where we're falling short as a nation, that we're not—really not up competing.

I'll give you two quick examples, because I hope that you'd be interested in this. I'd love to work with you. When I became Secretary of State, I was appalled to learn that the Taliban owned the airwaves in Afghanistan and in the tribal areas in Pakistan. They had little FM radio-transmitters on the back of motorcycles and they were going around threatening everybody, and, you know, the governments of Afghanistan and Pakistan, and, frankly, the United States military and everybody else, just kind of threw up their hands, and they'd shut down broadcasting after dark, and it made no sense to me. I mean, we're the most technologically advanced country in the world.

So slowly, but surely, we've been trying to take back the airwaves in Afghanistan against Taliban with the most primitive kind of communication equipment.

Now, take that as one example where I don't think we were very competitive—and we have worked like crazy to change that—and then go to the most extreme where you've got a set of global networks that Al Jazeera has been the leader in that are literally changing people's minds and attitudes, and like it or hate it, it is really effective.

And, in fact, viewership of Al Jazeera is going up in the United States because it's real news. You may not agree with it, but you feel like you're getting real news around the clock instead of a million commercials and arguments between talking heads and the kind of stuff that we do on our news, which is not particularly informative to us, let alone foreigners.

Well, that's why I worry that the Chinese are starting a global network. The Russians are starting a global network, and we have not really kept up with the times.

So I would commend Senator Lugar's report to you, and I am ready, able and willing to do anything I can to support us getting in and leading this communications battle.

Senator JOHNSON. It's also important what information we convey, and there's a pretty interesting article in The Wall Street Journal by Donald J. Kochan—I hope I'm pronouncing his name correctly—talking about the Arabic Book Program. And his complaint, if I can typify it as a complaint, is that we were translating books into Arabic such as “Who Pays the Price”, “The Sociocultural Context of the Environmental Crisis”, and “The Joy Luck Club”.

Are we going to concentrate on providing the types of information that will actually help them build democracies, actually help them build a strong economic system?

Secretary CLINTON. You know, Senator, I believe—and this may be—I'm a child of the cold war. I believe our cultural exports properly presented powerful incentives for democracy building, because what it does is free people's minds.

You know, there is that famous book, I think it's called “Reading Lolita in Teheran”, where it's really subversive to read fiction and literature.

I talked to a lot of the people who were behind the Iron Curtain. They told me our music kept their spirits up, our poetry. We used to do a lot in sending American artists around the world.

So I agree teaching democracy is important, but how do you teach democracy? I don't think if you just lecture at somebody that necessarily is the best way, but if you inculcate the aspiration of the human soul, where people want to be free, they want to think their own thoughts, as the young tech people in Tahrir Square did. You know they were living democracy by expressing themselves.

So I think we have to do both. I think we have to do a better job of getting America's message, our values, across, and we have to do a better job in the nuts and bolts about how do you put together a political party, how do you run an election, how do you put together a free and independent judiciary.

So I think it has to be both in order to be really breaking through to people in ways—especially young people today who are in our own country—sometimes hard to figure out how best to reach and touch and teach. I think it's true worldwide. We've got to be creative.

Senator JOHNSON. Thank you.

Senator LEAHY. Thank you. Senator Blunt, then Senator Hoeven and——

Senator BLUNT. Thank you, chairman. And, Secretary Clinton, thank you——

Senator LEAHY. I would note the Secretary has to leave by 4 p.m..

Senator BLUNT. I thought you were going to say by 3:45 p.m. I'm pleased that——

Senator LEAHY. Roy, I'd never do that to you.

Senator BLUNT. Well, Secretary, it's been an impressive hour-and-a-half. Thank you for your service. Thank you for your hard work all over the world for our country, and I thought—my view is that the State Department has been generally leading by some days and—at least by some hours and occasionally some days statements that need to be made about Egypt and Libya and other places, and I appreciate that.

This is probably not the right subcommittee for this and this is probably not the right question for you, so it's not a question as much, just go on the record. I really don't agree that the no-fly effort in Libya should be that difficult. I know what the military is saying at this point, but I do remember after the first Desert Storm what happened in Iraq when we let Saddam get his helicopters in the air and get his airplanes in the air, and it was a tragedy and a travesty then.

And whatever we could do out of the—you know, the near bases in the Mediterranean or other places, I frankly think the threat of a no-fly zone, if we could put any group together, so it wouldn't be solely an American effort, a United States effort is worth vigorously pursuing. And a tragedy is happening there now and you're speaking up on it and I appreciate that, but I would think we could do more.

The other thing I want to say, I thought the veto in the United Nations last week was a good thing to do and I'm glad to see that we're doing that.

At the same time, the United Nations, just a few weeks ago, said that the human-rights situation in Libya was pretty good. Fortunately, yesterday, they changed their minds and decided it wasn't so good.

A couple of appropriations questions here at an appropriations hearing. One is on your core budget request. How does the 2010 level compare with the 2008 level in the core budget?

#### 2008 VS. 2010 CORE BUDGET LEVEL

Secretary CLINTON. Let's see. Let me turn to my staff here and——

Senator BLUNT. Actual appropriating questions are really surprising.

Secretary CLINTON. Yes, I know.

Senator BLUNT. I get that.

Secretary CLINTON. This is amazing, Senator. I'll get that to you in a second. I promise.

Senator BLUNT. Well, the other question I'll ask, after you get that answer, is how does the 2008 core budget—I understand and am going to be pretty supportive of the extraordinary things that you're being asked to do now that would not normally be in the core, but the second question I'd have is how does the 2008 core compare to what the House did? Did they use your budget to get other budgets above 2008 or are you below 2008?

So the question is: How does this budget compare to the 2010 level——

Secretary CLINTON. Core to core.

Senator BLUNT. How does that compare to what the House did? Does anybody have that there behind you? Could you give me those answers?

Secretary CLINTON. They will. They're looking at that little tiny print. They'll get it.

Senator BLUNT. All right. Well, while they're looking—we'll come back to that. I think on the Iran Sanctions Act, which I actually negotiated in the House and have complained both to the State Department under your leadership and under Secretary Rice's that I

didn't think we were aggressive enough, but my last letter on this was 2009, and, hopefully, we're—I think we've had one company now that we have taken specific action against, and I will continue to think we should be more aggressively using the tools we have there.

There was another thing that we did in 2008 which was the Iran Freedom Support Act. I know we've designated human rights abusers, but under the other part of that, the Freedom Support Act, no funds have ever been requested under that particular title.

Do you have a sense of that, whether funds are coming from some other place in the State Department budget or maybe we're just not utilizing that because we don't think it's the time to do that, but—

Secretary CLINTON. Senator, there is a lot of efforts going on, but I would like to be able to get back to you, because some of those matters are not in my bailiwick. They are in other agencies, so I'd like to pull it together for you and then present it to you.

Senator BLUNT. Okay. So that question is, why has the administration—I think that would come through State, but it might not be exactly something you're looking at every day—not requested the use of funds pursuant to the Iran Freedom Support Act?

And the other would be has it allocated any funds under the Middle East Partnership Initiative (MEPI)?

#### MEPI

Secretary CLINTON. Yes. In fact, that's one of our strongest programs, so called MEPI, which, you know, started in the Bush administration, but we've continued it, and we think it's a very important tool. So we have quite a bit of funding coming out from MEPI.

Senator BLUNT. And is it used in Iran?

Secretary CLINTON. No.

Senator BLUNT. Okay. So then my question then would be what are we doing with Iran Freedom Support and why not?

And, now, do we have the answer to the other questions, the actual appropriating questions?

Secretary CLINTON. The fiscal year 2008 is a 36-percent reduction from the 2010 core budget, so 36 percent off of \$47 billion.

Senator BLUNT. So there was a 36-percent increase from 2008 to 2010.

Secretary CLINTON. Right.

Senator BLUNT. And how much of a decrease from 2010 was there then in the House-passed budget?

Secretary CLINTON. Sixteen percent.

Senator BLUNT. Sixteen?

Secretary CLINTON. Yes, Sir.

Senator BLUNT. So the House still has the Department quite higher than it was in 2008 in its core functions.

Secretary CLINTON. Well, they included the OCO functions as well. So it's 16 percent off of everything, and that's been hard for us to figure out, because some of this was very specific language. I mean, whatever finally comes out of the Congress I hope does give us some flexibility and not try to go account by account, be-

cause what we have found in looking at what the House did, it would severely impact what we were doing in the OCO budget.

And, you know, part of what we've been doing since 2008, which Dr. Condoleezza Rice started and which I then picked up, is to try to meet the needs that we saw around the world, because, from our perspective, the world is very different than it was in 2008. We have far more responsibilities.

But I think we owe you a kind of explanation of that, so that you can compare apples to apples, if you will.

Senator BLUNT. Well, I want to do that, and I want to compare apples to apples, because I really do want to be supportive of the extraordinary things you're being asked to do, particularly filling the gap as others leave Iraq. And it's easier for me to do that if I'm comfortable that we have really divided those in a way we all understand that some things are going to have to happen in this spending picture. And so core-to-core comparison would be helpful for me, and I will expect you to get that.

Secretary CLINTON. Yes.

Senator BLUNT. I'm glad you will, and, again, thank you for your work, and thank you for your ability to talk about so many issues so well for a good long period of time.

Secretary CLINTON. Thank you very much, Senator.

Senator LEAHY. Thank you, Senator Blunt. Senator Hoeven, former Governor, and welcome to our subcommittee.

Senator HOEVEN. Thank you, Mr. Chairman. I appreciate it.

Madam Secretary, thanks for being here. I know you've been on for almost 2 hours now.

Secretary CLINTON. That's all right.

Senator HOEVEN. And I know with the pace you've been going at—thanks so much for being here and for your work on behalf of our country.

I want to follow up on a couple of things that have been brought up. The first one is I think Senator Graham talked to you about the Keystone XL pipeline. We're very familiar with that. It goes through North Dakota. And, of course, we're a big oil-producing State now. We work a lot with Canada.

The Keystone pipeline actually comes down our Eastern Border and goes from the oil sands in Canada all the way down into Texas or Cushing, I'm not exactly sure, but the XL now is on our Western Border, actually just in the very eastern border of Montana.

I understand you declined to comment at this point, but I just want to tell you I think it is very good to be bringing down more oil from Canada for our country's needs.

Also, from North Dakota, we are building an on-ramp to that pipeline. So, in addition to the heavy crude that comes from Canada, from the oil sands in Canada, light sweet crude from North Dakota will be put on that pipeline as well, and we'll be producing more than 120 million barrels of oil this year. We're now the fourth-largest producer among the States. So that's a real opportunity and wanted to make sure you're aware of it, and, of course, appreciate your consideration.

On the siting, we will certainly work with you and be as helpful as we can in that process. And, again, we work a lot with our Canadian neighbors on energy issues.

On the no-fly zone, I want to add my support for that effort. I think a no-fly zone is something that we can and should do with our allies as expeditiously as we can, and being a Governor for 10 years and seeing not only our guard, but reserves and active forces, they're amazing, and I know that they can do the job.

I'd like you to comment, if you would, given the budget constraints that we have, how can we do the best job possible in terms of managing our foreign aid in a way where we influence the outcomes, for example, in the Middle East, not only in terms of providing foreign aid, but in terms of withholding foreign aid to get people's attention? How do we influence these events in the Middle East?

And what do you see resulting in terms of the kinds of governments that we're going to see in Egypt, Tunisia, Libya, and Yemen and all these places?

And I want to ask one more—because then I'm going to just let you go, so I don't use up a lot more of my time—talk a little bit about Iran's nuclear ambitions and how that plays into this equation, too, if you would.

#### FOREIGN AID

Secretary CLINTON. Well, Senator, first, I appreciate the contributions that North Dakota is going to make to our energy needs. I wasn't aware of that, so I appreciate being informed.

I think we are trying very hard to utilize our foreign aid in a positive behavior-influencing way, and every country is different, to be obvious about it.

The Tunisians are anxious for our help. I met with the Tunisian foreign affairs secretary when I was in Geneva. They remember that the United States stood for their independence back in the 1960s. They'd like to see us involved in helping them. Tunisia has never been a country that we've paid maybe enough attention to, but it's a small country. It has a chance to really make it as democracy if it gets the right help.

Egypt is very sensitive about getting foreign aid. They don't want foreign aid. They want economic aid, and they draw a distinction there. And so as we deal with our Egyptian counterparts, we have to be very sensitive to their belief that they've been around 7,000 years and they can do this pretty much on their own, and so part of what we have to do is figure out how best to work with them.

In a country like Yemen, it is a very unsettled situation. It is a country with many different forces at work and there are secessionist movements in both the north and the south. Al Qaeda in the Arabian Peninsula is headquartered there. It's a very poor country. You know, right now, it's not at all clear what's going to happen to President Saleh and his ruling party. So we are watching and trying to do as much as we can to influence what he does and what the opposition does in order to glide to a better outcome.

But I think it is also important to stress that one of the reasons why we're so adamant about Iran not getting nuclear weapons is because we don't want them to be able to intimidate their neighbors, to be able to influence their neighbors, to threaten their neighbors by their being a nuclear-armed country.

Imagine what we would be facing if Libya had not given up its nuclear weapons in 2003. That was a long negotiation. It was a successful negotiation. I personally worked to get the last highly enriched uranium out of Libya. But imagine where we'd be if this regime had nuclear weapons.

So, similarly, with North Korea, with Iran, we never take our eye off that ball, because that is so important to what we're trying to achieve. And Iran is—even though Iran has no relations with the opposition and, in some cases, are in adversary relationship with Sunni Muslim Brotherhood groups or other groups that are not of their choosing, they are doing everything they can to influence the outcomes in these places.

So this is a fast-moving, very difficult set of individual cases, but I think you're right to ask that we look at them across the region and factor in Iran, because Iran is going to do everything they can to influence the outcome, and we've got to be there, and we've got to do everything we can to prevent that from happening.

Senator HOEVEN. How are they working right now to influence these outcomes and affect the governments that result after these uprisings?

Secretary CLINTON. Well, for example, Senator, we know that through their proxy, Hezbollah, in Lebanon they are using Hezbollah, which is a political party with an armed wing, to communicate with counterparts in Egypt, in Hamas, who then, in turn, communicate with counterparts in Egypt. We know that they are reaching out to the opposition in Bahrain. We know that the Iranians are very much involved in the opposition movements in Yemen. So either directly or through proxies they are constantly trying to influence events there. They have a very active diplomatic foreign policy outreach.

Senator HOEVEN. And, Mr. Chairman, if you'd indulge me for just one more question, and we're working to counteract that how?

Secretary CLINTON. Well, in every way we can. That's why we are in these countries with our teams of experts, our aid experts, our diplomats. I sent Under Secretary Bill Burns, a former ambassador to Jordan, into the region to do a full survey. I've got Assistant Secretary Jeff Feltman in Bahrain as we speak working with the government there to try to help them understand what it's going to take to resolve this political standoff.

Our ambassadors in Yemen, Egypt, you name it, are working hard. Our former ambassador or still our ambassador to Libya, but who was out of the country because of a dispute with the Gaddafi regime is working hard to reach out to everybody going on in the opposition in Libya.

So, I mean, we have diplomats. We have development experts. We have military. We have an enormous outreach that is working right now. Because what I have found, Senator, is that most people want us to be helpful, but they don't want us to be taking a leading role. And so how we deliver on the aid they're seeking without looking as though we're trying to take over their revolution is our challenge.

But it's also the challenge for the Iranians. You know, they don't have a lot of friends, but they're trying to curry more friends. So it's a constant effort on our part, and I have to have the resources

and the flexibility to be able to move people around and try to figure out the best way for us to be successful.

Senator LEAHY. Thank you.

Senator HOEVEN. Thank you, Madam Secretary.

Senator GRAHAM. Very briefly, Mr. Chairman, this has been an outstanding hearing. You've done a great job. We've all learned a lot.

I think Rich is going to provide us some pipelines, what would the \$14 billion difference between the House continuing resolution and the 2012 request, what would that mean to operations throughout the world, and that way we can make a good decision.

I doubt if either number holds, the House number or the President's number. Somewhere in the middle is probably where we're going to be, but if the House number makes sense, I'm all for it. I just want to know how it's affected.

And one last question about Iran, because that was very fascinating to listen to. I don't believe it's possible to contain a nuclear-armed Iran. I think the ripple effect would be devastating. What's your thought on that? Could you contain a nuclear-armed Iran?

Secretary CLINTON. Well, I hope we never reach that question, Senator, because I think it would be very destabilizing in the region. I think it would prompt other countries, particularly those with the means, to seek their own nuclear weapons program.

We saw what happened when India got its program. Pakistan immediately had to get its program. And when the genie is out of the bottle, it is really hard to know what's going to happen next. So I think we have to be as vigorous as possible in trying to prevent that from happening.

Senator LEAHY. Thank you.

Madam Secretary, I think we've heard this from both sides of the aisle; you've given us an amazing tour of the world. You and I also often talk privately in other venues and I know it's not just in these hearings, and we are very fortunate to have you representing the United States.

I think the bottom line, though, for so many of the things you pointed out that you do and that the United States has to do for its own national security, is that it's hard to do if the resources are cut off. We either pay now or we pay later. If the resources are cut off, we don't have much that we can do.

#### ADDITIONAL COMMITTEE QUESTIONS

One last thing that comes to mind, of course, is our assistance for refugees. Both Republican and Democratic Senators have expressed concern about the plight of refugees, but the House just cut U.S. assistance for refugees by 40 percent. Yet, there are continuing the problems in Darfur, Burma.

There are also Iraqi, Afghan, Palestinian, refugees, and more have been displaced in the past few weeks in areas where we have an enormous interest. We have assisted refugees for years and this has resulted in good will and helps America's interests greatly including in our fight against terrorism.

But the cold reality is the other body has just cut the refugee budget by 40 percent. At some point, we have to pay attention to



reality more than rhetoric. So I appreciate what you've been saying here today.

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

QUESTIONS SUBMITTED BY SENATOR PATRICK J. LEAHY

*Question.* Tom Friedman of the New York Times recently described our relations with the Arab world this way:

"Keep your oil prices low, don't bother the Israelis too much and, as far as we're concerned, you can do whatever you want out back. You can deprive your people of whatever civil rights you like. You can engage in however much corruption you like. You can preach whatever intolerance from your mosques that you like. You can print whatever conspiracy theories about us in your newspapers that you like. You can keep women as illiterate as you like. You can under-educate your youth as much as you like."

Friedman says it was that attitude that enabled the Arab world to be insulated from history for the last 50 years—to be ruled for decades by the same kings and dictators.

Those days are changing in ways few predicted, and our relations with Tunisia, Egypt, Bahrain, and Libya will change because of it. Another Middle East expert quoted in the New York Times said this: "There has to be a major rethinking of how the United States engages with that part of the world. We have to make clear that our security no longer comes at the expense of poor governance and not rights of the people." Do you agree, and if so, how do you see our relations changing with any of the other countries in that region whose governments remain in power?

*Answer.* The United States has always had to make difficult calculations as it balances its interests. In the case of Egypt, for example, it was indeed in our interest to support Egypt following the Camp David Accords. The 30 years of peace that followed allowed for both Israel and Egypt to develop and strengthen in a particularly challenging region. Moreover, our closeness to certain governments enables us to have conversations with them about things like democracy and human rights—conversations that we would not be able to have otherwise. It is probably not a coincidence that the same Egyptian military that we have supported for the last 30 years chose not to fire on protesters.

In fact, we talk about these things with other governments because it is in our strategic national interest to do so—to promote good-governance and openness in Middle Eastern societies. I said at the Forum for the Future in Doha last January that "in too many places, in too many ways, the region's foundations are sinking into the sand . . . If leaders don't offer a positive vision and give young people meaningful ways to contribute, others will fill the vacuum." By helping Middle Eastern societies transition toward more democratic systems of government, we will definitively repudiate the extremist narrative that feeds on repression and isolation.

The United States maintains an active agenda promoting reform in the region. Our Ambassadors and Embassies across the region are fully engaged in these issues, whether through public statements, private diplomatic conversations, or targeted programming. Recent events only reaffirm the importance of our assistance efforts in the region, particularly those that support the development of economic opportunities and civil society.

We are committed to enduring partnerships with our regional allies. As events in the region have unfolded, we have maintained close contact with them, engaging leaders by phone and in person, as my recent trip to Egypt and Tunisia illustrates.

In our interactions with our partners, we have explained the core principles guiding us in the region, emphasized our conviction that stability in the Middle East will be enhanced by respecting the rights and aspirations of the people of the region, and reiterated our strong commitment to supporting a more peaceful and prosperous Middle East in close consultation with all our regional partners. We will continue to engage our colleagues along these lines in an effort to secure greater participation and prosperity for all.

*Question.* As corrupt dictators are being deposed in North Africa and the Middle East, and Great Britain, Switzerland, France, and the United States are seizing property and freezing bank accounts, as they should. But it was long suspected, and could have been readily verified, that those corrupt officials had foreign bank accounts, as well as extravagant estates, private jets and yachts—paid for with money stolen from their people. By amassing vast fortunes, they are that much more deter-

mined to hold onto power even if it means using violence. Do you agree that we should go after these ill-gotten gains long before things get to this point, and if so, what changes in law or policy would that require?

Answer. Foreign corruption adversely affects the United States; including our pursuit of U.S. national security interests, foreign assistance goals, and the security of the United States from transnational crime and terrorism. High-level corruption, or kleptocracy, perpetuates the cycle of poverty, instability, and crime that denies the most vulnerable nations and people prosperity. Addressing corruption, including kleptocracy, is an important foreign policy objective of the Department of State.

With respect to specific legislative and/or policy recommendations for strengthening U.S. law to guard against corrupt officials hiding assets in the United States or abusing our financial system, the Department of State defers to the Justice Department (DOJ). The Criminal Division's Asset Forfeiture and Money laundering section (DOJ/AFMLS) leads DOJ's Kleptocracy Asset Recovery Initiative, which is designed to target and recover the proceeds of kleptocracy that find their way into our banking and financial systems. DOJ/AFMLS is currently litigating civil forfeiture cases involving assets stolen from countries victimized by high-level corruption and is developing legislative proposals to strengthen U.S. law in this area.

While operational authority to pursue proceeds of corruption (so-called "stolen assets") resides with other agencies of the U.S. Government, the State Department promotes a wide variety of diplomatic and programmatic initiatives to prevent proceeds of corruption from being stowed abroad in the first place.

Since 2003, the United States has worked with the international community to deny kleptocrats and their assets any safe haven in the territories and financial systems of other countries. In 2003, at the G8 Summit in Evian, France, the United States strongly promoted adoption of the No Safe Haven policy, aimed specifically at senior corrupt public officials. We successfully advocated for adoption of similar principles in the Summit of the Americas and Asia-Pacific Economic Cooperation fora. Most recently, the United States was able to secure adherence to the No Safe Haven principle in meetings of the G-20 leaders. The United States is working assiduously to promote implementation of this commitment. The United States implements No Safe Haven for corrupt officials through Presidential Proclamation 7750 and section 7084 of the 2010 appropriations act and its predecessors.

The U.S. Government also supports the development and implementation of standards to prevent money laundering, including of proceeds of corruption. The Departments of State, the Treasury, and Justice act as leaders in the Financial Action Task Force (FATF) and provide support to many of the FATF-Style Regional Bodies. The United States supports the FATF's current work to clarify and strengthen, where appropriate, relevant standards, including for beneficial ownership related to customer due diligence and legal persons, and the identification and application of enhanced due diligence for "politically exposed persons" (PEPs). The United States was a pioneer in providing due diligence requirements in the PATRIOT Act to assure that transactions for private banking accounts of senior foreign political figures, close family, and associates did not involve the proceeds of corruption.

Additionally, the United States led the development of, participates in, and strongly supports many global instruments that target issues such as corruption and kleptocracy, including the UN Convention against Corruption (UNCAC), the Convention on Combating Bribery of Foreign Public Officials in International Business Transactions, and other regional treaties and initiatives such as the Inter-American Convention against Corruption and the Council of Europe's Group of States against Corruption. These legal instruments lead parties to take measures to prohibit bribes to foreign public officials in the conduct of international business, and they require governments to adopt the strong preventive measures and robust criminal justice tools that are necessary to prevent, deter, and prosecute corruption domestically. In some cases, these treaties also require parties to establish anti-money laundering regimes including measures requiring enhanced scrutiny of PEPs.

Further to the 2006 Strategy to Internationalize Efforts against Kleptocracy: Combating High-Level Public Corruption, Denying Safe Haven, and Recovering Assets, the United States has sought to encourage other countries to adopt and apply tools against kleptocracy, including tools for the recovery of stolen assets. The United States led negotiation of the novel Asset Recovery chapter of UNCAC, which provides tools for intergovernmental cooperation to trace, freeze, seize, and return proceeds of corruption. The United States continues to work with partners to raise and discuss approaches for further concrete implementation of the UNCAC asset recovery provisions. The Departments of State and Justice worked together in the last UNCAC Conference of States Parties to secure agreement by the 143 parties to recommit to action on asset recovery and to set the road map for further cooperation. The United States also collaborates with other leading organizations and initiatives

that are promoting best practices and facilitating asset recovery capacity building, such as the Camden Asset Recovery Information Network, INTERPOL, and the Stolen Asset Recovery (StAR) Initiative.

To recover stolen assets, countries need capacity to investigate and substantiate requests for international legal cooperation. A range of ongoing U.S.-sponsored technical assistance is targeted to build capacity to recover corruption proceeds. The United States has posted asset recovery country advisors in pilot countries to build capacity related to mutual legal assistance. The United States has also provided financial and expert support to asset recovery workshops in various regions.

U.S. law enforcement and prosecutorial authorities work closely with counterparts in other governments on investigations and mutual legal assistance to support recovery of assets, with the support of the State Department where appropriate. The United States has repatriated corruption proceeds in several significant cases in recent years. For example, the United States has confiscated and repatriated to Peru corruption proceeds worth more than \$20.2 million connected to the criminal conduct of former Peruvian intelligence chief Vladimiro Montesinos and his associates. Similarly, as a result of close investigatory cooperation, the United States was able to forfeit and repatriate to Nicaragua more than \$2.7 million connected to the criminal conduct of former Nicaraguan Tax and Customs Minister Byron Jerez.

*Question.* From everything I read and hear, the Middle East peace process—as it has traditionally been called—is going nowhere. Last week The Wall Street Journal quoted a member of the Palestinian Liberation Organization’s Executive Committee saying: “If negotiations are not an effective tool of peacemaking, what do we need them for?” Other accounts describe U.S. officials declaring the Roadmap dead. Meanwhile, the Palestinian Liberation Organization disbanded the cabinet and there is talk of creating a unity government with Hamas. Iran is becoming more threatening, Israel is more isolated than ever, and settlement construction and the demolition of Palestinian homes in the West Bank continue.

Does the Roadmap still reflect the administration’s policy? Does a two-state solution still have viability, or is it just a talking point? What is the alternative?

*Answer.* Our goal is to pursue and achieve comprehensive peace in the Middle East, central to which is a resolution of the Israeli-Palestinian conflict based on the two-state solution. Ending the conflict through the two-state solution is the only way to achieve long term security, preserve Israel as a Jewish and democratic state, and realize the legitimate aspirations of the Palestinian people to a viable, contiguous, and democratic state of their own.

The Obama administration has joined the Quartet in underscoring the need of both parties to adhere to previous agreements and obligations, including adherence to the Roadmap. We have reaffirmed that unilateral actions taken by either party cannot prejudice the outcome of negotiations and will not be recognized by the international community. The tough issues between Israelis and Palestinians can only be solved through a negotiated agreement.

That is why we continue to pursue a dual track approach, both elements of which are key to peace and stability for Israel and the region: serious and substantive negotiations on permanent status issues and an equally vigorous institution building track that supports Palestinian Authority efforts to build, reform, and sustain critical institutions so that they are prepared for statehood.

*Question.* What is the State Department doing to control the cost of Embassy construction and operations and maintenance, and what are you doing to be sure you are achieving the right balance between security and public access to our Embassies?

*Answer.* Embassies and consulates are more costly to design and build as compared to traditional office buildings because the Department must comply with very strict security standards. The Department is working to develop and use every possible mechanism to control costs while building to comply with statutory requirements and respond to the realities of a dangerous world. Our new diplomatic facilities are designed and constructed in accordance with U.S. building codes, using American-made materials and industry best practices to the greatest extent possible.

Going forward, our Bureau of Overseas Buildings Operations (OBO) is undertaking a Design Excellence program to ensure that the next generation of facilities will incorporate best-value practices through the use of systems and materials that are easier to maintain and operate in the long term. In addition, all new construction projects are designed and constructed to achieve a minimum LEED Silver certification from the U.S. Green Building Council. Given the added sophistication of these modern platforms, we have also undertaken several initiatives to improve the cost-effectiveness of operation and maintenance at these facilities.

The Department, and other overseers of major construction work, is subject to the vagaries of the market, especially the rising costs for petroleum, steel, and concrete. The Department works to control construction, operations, and maintenance costs through:

*Value Engineering.*—Use of construction industry best practice review of each project to ensure optimum function of each building component.

*Constructability Reviews.*—A review of the project to identify planning modifications that will make it less expensive/easier to construct.

*Preventative Maintenance.*—Use of a significant portion of limited maintenance funding to perform preventive maintenance, thus avoiding larger repair costs in the future.

*Competitive Bids.*—Construction projects are awarded through a competitive bidding process which ensures fair market value.

*Management Reviews.*—Monthly project performance reviews with senior managers to ensure that project budgets and schedules are maintained.

*Sustainability.*—Green building initiatives hold down operation, maintenance and utility costs, including exploiting renewable energy sources such as photovoltaics, geothermal heating and cooling, natural daylighting, LED lamps, solar hot water heating, and automated controls. Water conservation is addressed through rainwater harvesting, waterless urinals, dual flush toilets, and other low-flow fixtures.

*Maintainability Reviews.*—Reviews of all construction designs prior to contract award to identify inefficient operational features.

Unfettered public access to our Embassies is, unfortunately, impossible in today's security environment. Nonetheless, the Department designs facilities to separate public areas such as consular and public diplomacy from more sensitive functions. The Department also works to integrate protective security features into the general architecture of our buildings and use unobtrusive surveillance and detection equipment throughout. Going forward, through our OBO Design Excellence initiative, we are working to improve the design of our overseas facilities in a number of different ways to ensure that they are welcoming and physically represent the U.S. Government to the host nation in a positive way.

In addition, in some locations the Department is working to enhance U.S. Government outreach to foreign publics through American Centers that are physically separated from our Embassy or consulate, as well as maintaining existing centers. This past year, we successfully established a new center in Jakarta, with another American Center in the works for Rangoon.

*Question.* Your fiscal year 2012 request includes \$3.7 billion for Department of State operations in Iraq, including buildings, personnel, security, and helicopters. This does not include the cost of the State Department's programs there, which are also rising sharply.

While we understand that the United States military costs in Iraq are going down, this is a 72 percent increase more than the State Department's fiscal year 2010 operations in Iraq, and represents almost one-third of the fiscal year 2012 budget request for Department of State operations worldwide. I am concerned that the civilian transition envisioned by the administration may be financially unsustainable.

What steps has the Department of State taken to prioritize the goals of the transition from a United States military to a civilian presence in Iraq, and what are the goals?

The Department of State has identified \$3.2 billion of its fiscal year 2012 Iraq operations costs as "temporary and extraordinary." What does temporary mean in this context? Two years? Five years? Ten years?

*Answer.* The fiscal year 2012 budget request for programs in Iraq will continue to help the Government of Iraq, and the Iraqi people, bridge economic and security gaps. Our consulates in Basrah and Erbil, though located in temporary facilities, are permanent. We expect our consulate in Kirkuk, which is along the Arab-Kurd faultline, as well as our significant Iraq-wide security assistance programs and our Police Development Program (PDP), to last approximately 3–5 years. We will continue to reduce our presence as our programs are transferred to other U.S. Government entities, Government of Iraq ministries, or participating international organizations.

*Planning.*—The magnitude of this transition is unprecedented, and the security environment is very challenging. In anticipation of the planned U.S. military draw-down, we have sustained an intensive, 2-year effort both within the Department of State and with our partners across the U.S. Government. This process has included daily involvement of both Deputy Secretaries of State and close coordination with United States Forces-Iraq and the Department of Defense (DOD). In addition, DOD and the Department of State have created Iraq Transition Coordinator positions, in

order to lead our respective departments in the final planning and implementation of the transition. We continue to work daily with DOD and other agencies to implement and, as necessary, adjust our planning, and resolve any issues that may arise. We are on track to complete the transition successfully.

In planning for continued engagement following the withdrawal of U.S. forces, the Department of State has worked hard to include only essential elements. There are currently 14 planned sites:

- the Embassy;
- two permanent consulates in Erbil and Basrah;
- a temporary consulate in Kirkuk;
- air hubs at Sather Air Base, Basrah, and Erbil;
- police training centers at Contingency Operating Station (COS) Erbil and Joint Security Station (JSS) Shield (the third International Narcotics and Law Enforcement [INL] site is collocated with consulate Basrah); and
- four OSC-I sites at Forward Operating Base (FOB) Union III, Besmaya, Taji, and Um Qasr.

We need secure, centrally placed locations to conduct the broad engagement required to achieve our policy goals.

*Baghdad.*—In Baghdad, JSS Shield will serve as the main hub for INL's PDP. This site is located adjacent to the Ministry of Interior and Baghdad Police College, where INL will conduct substantial mentoring, training, and advising.

*Erbil.*—Erbil will serve as a platform for United States economic programs in the Kurdistan region of Iraq. Erbil will also be our focal point for engagement with the Kurdistan Regional Government (KRG). KRG participation in the coalition government is critical to foster national unity, political reconciliation, and stability. Consulate Erbil will also provide a platform for engagement by U.S. Agency for International Development (USAID), DOJ, INL, and other government agencies.

Not all personnel and operations can be housed at the existing consulate site in Erbil. Therefore, INL's PDP hub in the north, a small number of DOJ personnel, all Embassy air aviation personnel, and logistics and management personnel will be housed at COS Erbil.

*Basrah.*—Development of Iraq's hydrocarbon industry is essential to providing revenues to improve basic services like power, water, security, and education. Our consulate in Basrah will continue to assist development efforts of reserves in Southern Iraq. Consulate Basrah will also house DOS, USAID, DOJ, INL (including the PDP), and Department of Homeland Security personnel.

*Kirkuk.*—The status of Kirkuk remains one of the most volatile issues in Arab-Kurd relations. Consulate Kirkuk, along with the United Nations, will continue to address political, economic, and governance issues designed to support a political agreement on the status of Kirkuk. Consulate Kirkuk will also provide a platform for engagement by INL, DOJ, and other agencies.

*OSC-I.*—The four OSC-I sites will provide engagement on critical security cooperation and security assistance programs at strategic centers where key FMS cases continue. The OSC-I headquarters is planned for FOB Union III across from the Embassy and close to the Ministry of Defense. It will manage security cooperation and assistance activities throughout Iraq. The Besmaya OSC-I site will be located within the Iraqi Army's Besmaya training complex—the primary center for Iraqi ground forces training and delivery location for several major FMS cases.

The OSC-I Taji site is at the Iraqi Army's logistics center, and will facilitate the development of the ISF's logistical and sustainment capability and manage rotary-wing FMS cases. Finally, the OSC-I site at Umm Qasr is in Iraq's only naval base, which is critical to protecting Iraq's oil infrastructure. The site will support security cooperation activities with the Iraqi Navy as well as manage FMS naval cases.

*Aviation.*—Three aviation hubs (Baghdad, Erbil, and Basrah) are being established to provide transportation of personnel to and from the sites listed above and to other sites (including PDP visits). Air operations will also provide security for Chief of Mission personnel, quick reaction capabilities, and medical evacuation. The three sites are required to provide coverage based on locations supported and range of aircraft, using a hub and spoke concept that employs fixed- and rotary-wing aircraft for maximum efficiency.

*Question.* Pakistan cannot feed or educate many of its people who live in poverty. Yet on February 1, the New York Times reported that Pakistan's nuclear weapons program has continued to grow, and that it now has about 100 nuclear weapons and enough nuclear material for 40–100 additional weapons, including plutonium bombs. It is on course to becoming the fourth-largest nuclear power, ahead of France. In the past decade American taxpayers have provided \$10 billion in aid to Pakistan, much of it for the military, but also for education, health, electric power, and other

needs that the Pakistani Government should be paying itself. Since money is fungible, are we, in effect, indirectly subsidizing their nuclear program?

You have indicated that the Department of State will press Pakistan on tax reform and corruption to ensure that American taxpayers are not footing the bill for Pakistan's poor when its own elite pay little or no taxes and widespread corruption may interfere with USAID goals. How has the State Department improved monitoring of United States aid to ensure it achieves the intended purposes? What reforms, if any, has Pakistan undertaken to improve the lives of its people?

The administration has vowed to channel most United States aid through Pakistani Government agencies and local contractors. What portion of all United States aid to Pakistan is distributed this way?

Answer. United States assistance to Pakistan is aimed at building partnership based on mutual goals and values, fostering long-term stability, and improving the daily lives of Pakistanis. As such, the funds we provide are used to improve the security, prosperity, and stability of Pakistan. We work together with the Government of Pakistan to identify and pursue initiatives that are aligned with our shared objectives, while ensuring accountability and oversight of United States funding. When we choose to provide assistance to a particular sector in Pakistan, we negotiate with the government to ensure that our funding is in addition to, rather than replacing, the Government of Pakistan's intended investment in that sector.

A robust set of accountability mechanisms is also an integral part of our civilian assistance program, to ensure the funds are used to improve the lives of Pakistanis, as the funds were intended. USAID conducts pre-award assessments to ensure systems are in place to ensure the proper and transparent use of funds, and INL uses extensive inspections and end-use monitoring. The State Department Office of the Inspector General and its USAID counterpart have been able to conduct audits on a number of Pakistani organizations. Also, Pakistan's Supreme Audit Agency, the equivalent of our General Accountability Office, has been cooperative in reviewing and auditing programs. All of our programs must have appropriate accountability and transparency measures in place before we release any funding.

We remain concerned about Pakistan's continued development of its nuclear arsenal, and this is a topic that we regularly discuss with them, including in the Security, Strategic Stability, and Nonproliferation Group, 1 of the 13 working groups that meet under the U.S.-Pakistan Strategic Dialogue framework.

The Government of Pakistan has recently taken steps to expand its revenue base and improve its ability to provide the services its people need. Three new tax ordinances and the rescission of several sales tax exemptions are expected to generate \$620 million in the fourth quarter of Pakistan's fiscal year 2011 (March-June). Pakistan has also taken steps to adjust fuel prices and electricity tariffs to reflect more accurately the costs of providing fuel and electricity. We must continue to work with Pakistan to encourage the adoption of permanent and more comprehensive reforms to help put Pakistan on a path to fiscal stability and economic prosperity.

We believe that implementing a portion of United States assistance through Pakistani institutions is critical to building capacity, strengthening our partnership, and fostering long-term development. This year, we expect that roughly one-half of the civilian assistance provided to Pakistan will be implemented through Pakistani Government agencies, whether Federal or provincial, and about 12 percent of USAID-managed funding is implemented through Pakistani non-governmental organizations. We are working to ensure that United States assistance is aligned with Pakistani priorities and has accountability mechanisms in place to ensure proper use of the funds.

*Question.* The U.S.-Colombia Free Trade Agreement was signed 6 years ago. From what I understand, U.S. exporters have a lot to gain from this agreement. One of the biggest problems for passage of the agreement is the history of assassinations and threats against Colombian trade unionists, which the former Colombian Government never treated as a priority. President Santos and Vice President Garzon—a trade unionist himself—say they are trying to investigate and punish those responsible for these crimes, but they have been in power less than 7 months so it is too soon to know if they will succeed. Is the Colombian Government doing all it can to investigate and prosecute these crimes? What more needs to happen before the administration sends the agreement to the Congress and fights for its passage?

Answer. President Santos has made great progress in improving the environment for labor rights in Colombia. The Santos administration has:

- denounced threats to labor and human rights leaders;
- increased penalties for violence against human rights defenders;
- made clear it respects the role of labor and human rights groups; and

—increased funding for its protection program, which now covers more than 11,000 at-risk individuals.

Additionally, Colombia's Prosecutor General's Office reports that it is investigating more than 1,300 labor-related cases, and has obtained 344 convictions.

Despite this progress, the Colombian Government realizes it must do more to address lingering concerns over labor violence. The Santos administration will continue to work closely with the Prosecutor General's Office to remedy the shortfalls that Office is currently facing and develop a strategy to resolve the backlog of labor homicide cases.

The U.S. Government has made clear to Colombia that three areas of concern must be addressed:

- the protection of internationally recognized labor rights;
- prevention of violence against labor leaders; and
- the prosecution of the perpetrators of such violence. We understand these concerns are shared by the Santos administration, and we are encouraged by their recent actions, but more needs to be done.

On February 9, U.S. Trade Representative Kirk announced the President had directed him to intensify our engagement with Colombia to resolve the outstanding issues as quickly as possible this year. As we work with Colombia to address remaining issues, we will reinforce the significant progress Colombia has made in addressing human rights and labor issues.

*Question.* It would be hard to think of any higher priority for our Embassies than protecting Americans abroad, and helping them when they are in trouble. Thousands of Americans are victims of crimes in foreign countries every year, including murder. We try to help the families get justice where investigations are cursory, the justice system is corrupt, and convictions are rare—cases like Bradley Will, a journalist who was killed in Mexico; Kate Puzey, a Peace Corps volunteer killed in Benin; and Rachel Corrie who was killed in Gaza. Years have passed and their families are still waiting for justice. What is the Department's policy when an American is killed, the investigation is flawed, and there is no justice? Shouldn't there be a consequence? At what point do we withhold aid?

*Answer.* The provision of services to U.S. citizens who have been victims of crimes overseas is one of the highest priorities of U.S. Embassies and consulates. When U.S. citizens are killed overseas, and specifically in the cases cited above, the U.S. Embassy requests on a regular and recurring basis that the host government provide status updates on the criminal investigation. We make these requests in the form of diplomatic notes, and in meetings between Embassy officials and foreign government contacts at all levels, which serve both to communicate our on-going interest in the case and push for thorough, credible, and transparent investigations.

Bilateral foreign aid is developed on the basis of overall good relations and our goals with a country and may or may not be influenced by a judicial failure—depending on the role and responsibility of the host government. Often our foreign assistance includes support to improve and strengthen the capacity of partner country law enforcement and judicial institutions as well as support for civil society and independent media to hold government institutions accountable to citizens.

Personnel at our posts overseas receive training on how to communicate effectively with victims of crime and understand their reactions to trauma. Embassy employees identify local resources available to victims of crime in their district, and keep friends and family back home informed of the situation in accordance with the victim's wishes. While we cannot provide legal services to the victims, we do assist victims of crime and their families in managing the practical consequences of overseas crime by providing information about the local criminal justice system, explaining how it might differ from our judicial system, and providing a list of local attorneys. We continue to provide assistance as appropriate during their time overseas and help identify resources available to them at home if they choose to return to the United States.

*Question.* In 2009, the administration made "Afghanization" of aid a major goal. Did the administration meet its goal of 40 percent of assistance delivered through the Afghan Government or local nongovernmental organizations by December 2010? What proportion was delivered through the government?

*Answer.* In fiscal year 2010, USAID provided 35 percent of its assistance on-budget through the Afghan Government. In fiscal year 2011, we estimate that between 37 and 45 percent of State and USAID development assistance—distinct from stabilization programs—will be on-budget, based on our fiscal year 2011 base appropriation request level.

In 2012, State and USAID aim to meet the London Conference goal of channeling at least 50 percent of development aid through the Afghan Government's core budget. The 50 percent goal is a shared responsibility, however, in that it requires the

Government of Afghanistan to take critical steps to ensure its ministries and agencies are prepared to effectively and accountably implement assistance.

*Question.* Corruption remains a real problem. How confident are you that United States assistance provided directly to the Afghan Government or contracted to Afghan businesses is being used effectively and not being diverted to illicit purposes?

*Answer.* A major ongoing focus of our anti-corruption efforts is safeguarding U.S. assistance funds. The United States Government has only provided funding directly to the Afghan Government in instances where the capacity for oversight and accountability at a Ministry has been determined to meet our standards or when the funds can be administered through trustworthy mechanisms, such as the Afghanistan Reconstruction Trust Fund. To further strengthen U.S. assistance against corruption, we have systems in place to examine civilian and military contracting practices and establish better oversight of our funds. The military Task Force Shafafiyat ("Transparency" in Dari), which includes within it Task Forces 2010, Spotlight, and Nexus, is working along with the Embassy to identify the scope of the corruption problem and develop solutions in the areas of U.S. contracting practices, personal security contracts, and counternarcotics. There are provisions built into our civilian and military contracts to counter opportunities for corruption, both high- and low-level. Civilian and military agencies are sharing information about contractors, improving contractor and sub-contractor vetting and supervision, and blacklisting companies which violate United States or Afghan laws.

*Question.* What success has the civilian aid effort had in establishing effective programs in areas being opened up by U.S. troops—for example, in Helmand and Kandahar provinces? How has insecurity in these areas affected the ability of aid workers to move about and deal directly with the Afghan people they are there to help?

*Answer.* Over the past year in Southern Afghanistan, the insurgency's capability and scope in Kandahar and surrounding districts have been curbed and its momentum slowed. There is cause for cautious optimism. USAID has played a critical role as part of the United States Government strategy to help elevate civilian Afghan leadership, to hold security gains through the fighting season, and to lay the ground for longer-term development.

Some examples of successes:

- Under USAID's RAMPUP project, a debris removal program in Kandahar City was rolled out in Districts 1, 2, 3, and 9 in February 2011. The program will eventually employ approximately 1,200 people each week to remove accumulated debris in 10 districts of the Kandahar municipality.

- Under the Afghanistan Stabilization Initiative (ASI), a pomegranate project benefited nearly 600 people, including farmers, traders and their assistants, who received training and quality-control monitors. Branded "Kandahar Star", 25 metric tons of the fruit were shipped to Dubai and sold to upscale retailers such as Carrefour. An additional 16 metric tons were shipped to Canada, and more than 4 metric tons were shipped to India. From these shipments, Afghan farmers realized significantly higher payments for their fruit than they would have received on local markets. The ASI has also procured essential equipment for FM radio stations to be set up at several forward operating bases/PRTs in Southern Afghanistan. The new stations will serve as a vital communication tool for Afghan Government institutions to solicit community feedback and input regarding government performance, services desired, and other important issues for the population. Providing local citizens with improved access to information will counter the Taliban's message of violence and allow for participation in the governance process.

Due to the security situation in these areas, prudent and judicious measures must be taken to ensure staff safety. Leaving compounds or private residences in high-threat environments requires a great deal of coordination with the local security contingent as well as approval from the regional security officer (RSO), who sets security practices for Chief of Mission personnel. Under Public Law 99-399 (Omnibus Diplomatic Security and Antiterrorism Act of 1986), Chiefs of Mission (COMs) and Embassy RSOs can be held personally accountable when there is serious injury or loss of life of COM personnel. Due to the nature of the security situation in areas of Afghanistan, USAID currently relies extensively on dedicated Quality Assessment/Quality Control (QA/QC) contractors, along with the military, implementing partners, and foreign service nationals to help monitor programs.

*Question.* Last year, in response to a request from this subcommittee, the State Department provided a preliminary report on crimes against humanity and war crimes in the final months of the internal conflict in Sri Lanka. I and other Senators would like to receive an updated report on this subject, including an assessment of investigations by the Sri Lankan Government and the United Nations, and whether



the people responsible for these crimes have been appropriately punished. Will you ask the Office of the Ambassador for War Crimes to provide us such a report?

Answer. In response to your request, the Department of State will provide an update of our previous reports of October 22, 2009, and August 11, 2010.

*Question.* The administration proposes to reduce the Assistance to Europe, Eurasia, and Central Asia account by more than 15 percent in fiscal year 2012. Given the number of important U.S. interests in the region—stability in the Balkans, preventing conflict in the Caucasus, supporting groups fighting for human rights and the rule of law in authoritarian societies from Russia to Azerbaijan to Uzbekistan—doesn't such a large cut signal that we are disengaging from a region where we need to continue working to solidify our relations?

Answer. The U.S. commitment to the region has not changed. Southeastern Europe, Eurasia (including the Caucasus) and Central Asia remain vitally important in terms of United States foreign policy interests. Reductions in assistance to the region have been driven by the difficult budget environment. Within that context, the President's request reflects a reallocation of resources to other global demands, weighing factors such as progress made, the work of other donors and U.S. assessments of the key remaining challenges in the region.

#### EGYPT

*Question.* ABC television reported on February 11 that the United States paid for executive jets for President Mubarak and top members of his government. I have tried to get more information about this. Do you know if this happened and what funds were used? Can you assure us that we are not buying planes like that for other governments?

Answer. Egypt has used Foreign Military Financing (FMF) to enhance airlift capability for its National Command Authority. The Egypt VIP Aircraft Program (Peace Lotus) has provided the Government of Egypt with Gulfstream (GIII and IV) executive jets via Foreign Military Sales and Direct Commercial Sales. The first of these aircraft was acquired in 1984 and the last was purchased in 2002. Some aircraft were acquired using solely national funds while others were acquired using a combination of national funds and FMF funds. Egypt partly covers the cost of maintenance of the aircraft with national funds. Egypt's FMF share of the acquisition and maintenance of these aircraft was approximately \$333 million, out of a total cost of approximately \$378 million.

In addition to Egypt, the Israeli Air and Space Command has acquired, via FMF a number of the Gulfstream aircraft.

*Questions.* Another report that triggered many concerns was that tear gas used against peaceful protesters by Egyptian police came from the United States. Are we providing this type of "crowd control" equipment to the security forces of other repressive governments that might use it against their citizens, and if so, can we be confident this will stop?

Answer. Tear gas and similar equipment are manufactured and sold to provide nonlethal options to disperse large crowds and prevent violence. There is currently no blanket restriction on the sale of nonlethal crowd-control items to countries that are otherwise not subject to United States or United Nations Security Council arms embargo. However, as a matter of policy we can deny export licenses for tear gas on a case-by-case basis if we believe the tear gas will be misused by the end user.

All recipients of U.S.-origin defense articles or services are required to comply with numerous end-use restrictions and conditions, as specified in the foreign military sales Letters of Offer and Acceptance and direct commercial sales licenses. Most importantly, these conditions require full U.S. access to equipment provided so that we may monitor how it is being used.

*Question.* Will you do a full Supplemental Environmental Impact Statement (SEIS) for the Keystone XL tar sands pipeline project, as requested by the Environmental Protection Agency and by many Members of Congress, which addresses in detail the issues I and other Senators wrote to you about in our letter to you on October 29, 2010?

Answer. The Department of State expects to release a Supplemental Draft Environmental Impact Statement (SDEIS) for the proposed Keystone XL pipeline project in mid-April. The SDEIS contains information that the State Department feels would benefit from further public input, including issues addressed in your letter such as life-cycle greenhouse gas emissions, pipeline safety, environmental justice, and petroleum market impacts. The public will have 45 days to comment on the SDEIS after a Federal Register notice is published. Following issuance of a Final EIS, the State Department will solicit public comment and host a public meeting

in Washington, DC, before it makes a determination under Executive Order 13337 on whether issuance of this permit is in the U.S. national interest.

*Question.* The Commission on Wartime Contracting released its second interim report on February 24, 2011. This report included a number of recommendations to address the underlying causes of poor outcomes of contracting and to institutionalize the changes to the Federal contracting processes in contingency operations such as Iraq, Pakistan, and Afghanistan. Two key findings are the lack of the agencies' internal capacity, including senior managers' ability, to oversee contracts, manage contractors, and control contract costs; and the over-reliance on contractors, particularly in contingency operations.

What specific steps is the Department of State taking to reform its procurement process and improve the managers' ability to manage contracts, particularly in areas of contingency operations? Also, it has been several years since the Department instituted the 1 percent procurement fee for all procurement awards. What improvements and changes have been instituted by the Department of State as a result of this fee? What evidence does the Department of State have that it is cost effective and meeting the procurement needs of the Department?

*Answer.* The Department experiences continuous contingencies in our daily operations around the world under challenging conditions. As needed, the Department creates task forces and working groups to deal with these situations. The Department of State continues to centralize procurement operations in the Bureau of Administration's Office of Logistics Management (ALM), and its branches, the Regional Procurement Support Offices (RPSO); we find this model to be most effective in supporting contingency situations during natural disasters such as the Haiti earthquake, as well as during ongoing stabilization and reconstruction as in Afghanistan and Iraq.

#### THE QUADRENNIAL DIPLOMACY AND DEVELOPMENT REVIEW (QDDR) AND CONTRACTING

*Question.* In December 2010, the Department of State issued its first ever QDDR, which provides a blueprint for elevating American "civilian power" to better advance our national interests and to be a better partner to the U.S. military. The QDDR sets out four key outcomes for the State Department and USAID, one of which is working smarter to deliver results for the American people, including managing contracting and procurement to achieve our mission effectively and efficiently.

We have begun implementing the QDDR to improve contracting oversight; some specific examples are as follows:

*Elevate the Status of Contract Oversight Personnel.*—As initial steps, this summer we plan to create a Contracting Officer Representative (COR) Award to highlight contract administration achievements by the COR, and publish an article in State Magazine highlighting the importance of contract administration and the valuable role of the COR.

*Link Oversight Duties to Performance Evaluation.*—In January 2011, we issued Department notices reminding staff of work elements for CORs and Government Technical Monitors (GTM).

*Expand Training.*—Training will be expanded by launching a skills-based COR class, expected no later than May 2011. The Department also adopted the Federal Acquisition Certification—Contracting Officer Representative (FAC-COR) requirements for initial and continuous training in the business and technical skills of contract administration; additional information is presented below.

*Elevate Accountability for Planning and Oversight of Large Contracts.*—As part of the QDDR process, the Department of State instituted a requirement for the Assistant Secretary of a Bureau with a service contract with expenditures exceeding \$25 million per year to certify that adequate contract administration resources have been identified to manage the contract.

As a fee-for-service organization, charging bureaus a 1 percent fee on all Department of State procurements, we have the resources to surge. Since the fee was implemented in 2008, we have hired 102 additional staff for contract administration.

The Department of State uses very few cost-reimbursement contracts. Embassy construction and most major programs are fixed price. The Department of State uses competition to drive cost conscious operations, as with our Worldwide Protective Services (WPS) contract, where task orders are competed among the eight contract holders.

## INCREASED CONTRACT MANAGEMENT AND OVERSIGHT

*Question.* The Department of State has increased contract management and oversight both by its professional acquisitions staff, and by program offices that utilize contract support.

*Acquisitions/Training.*—As noted above, we have increased our training to enhance the skills of our contracting personnel. The Office of Federal Procurement Policy (OFPP), Letter 05–01, Developing and Managing the Acquisition Workforce, requires that the Federal Acquisition Institute (FAI) develop a certification program for contracting professionals in civilian agencies that reflects common standards for education, experience, and training.

In general, for contracting officers series GS–1102, the Department of State requires each acquisition professional to complete FAI’s certification program, consistent with the OFPP letter, which reflects common standards of education, experience, and training among civilian agencies. These common standards serve to improve the workforce competencies and increase career opportunities. They are being implemented by the Office of the Procurement Executive and Head of Contracting Activity at the Department of State. The full training requirements for FAC–COR certifications for GS–1102 can be found at [www.dau.mil](http://www.dau.mil) or [www.fai.gov](http://www.fai.gov). For complex contracts such as the WPS, all CORs are required to be level II- or level III-certified.

*Program Offices.*—We agree with the Wartime Commission’s observation that the Department’s program offices need to plan effectively for COR support. INL and the Bureau of Diplomatic Security (DS), the two bureaus most heavily involved in overseas contingency contracting, are both significantly increasing resources to support contract administration.

In general, all Department of State CORs, per the Procurement Executive Bulletin No. 2010–20 are required to obtain FAC–COR certification, which entails completion of Foreign Service Institute Course No. PA 178 Contracting Officers Representative (40 hours); or PA 296 How to Be a Contracting Officers Representative (online version); or equivalent other agency commercial COR training as approved by the Office of the Procurement Executive.

*Diplomatic Security.*—The private security contractors (PSCs) who protect our diplomats in high-risk environments perform an essential function that enables the conduct of American diplomacy in the places where it is needed the most. The Department of State has worked hard to enhance oversight of PSCs, and DS has further developed its plan for oversight and operational control of PSC personnel. For the DS WPS contract issued in September 2010, DS has increased staffing to administer the contract and its task orders to ensure contract compliance. Key oversight elements for the WPS contract are listed in Attachment A.

*INL Improvements.*—INL has taken steps since 2006 to improve contract administration and program management, including for operations in conflict areas, in response to a variety of oversight community recommendations as well as INL’s own managerial initiatives. Among the improvements are enhanced financial management, contract administration and oversight standard operating procedures and additional education for our personnel that strengthen INL’s management and operations in those venues. Beginning in 2006, INL used the findings from three internal reviews of our Iraq and Afghanistan contract administration processes and controls to develop a new contract administration framework, with tougher contract oversight, invoice reviews, and reporting requirements. Key among the improvements was the establishment of an office that provides contract oversight and supports program management for Afghanistan and Iraq as well as increased staffing for contract administration and program management at headquarters and in the field. Specific INL improvements are listed in Attachment B.

In conclusion, the Department of State has implemented many improvements in its contract oversight and management, and will continue to do so as we execute the QDDR initiatives. The Department of State has taken very seriously the recommendations of the Wartime Commission as well as other oversight organizations to increase our contract oversight staff and elevate this function to the status that it deserves. We will continue our efforts to improve our contracting administration and oversight.

## ATTACHMENT A

## DIPLOMATIC SECURITY—OVERSIGHT FOR WPS CONTRACT

Key elements of oversight under WPS, currently deployed in Iraq include:

—Ensuring appropriate levels of professionalism and responsive operational responsibility through direct operational control and oversight of security contractor personnel:

- DS Special Agents at each post serve as managers for the Static Guard and Personal Protective Security programs;
- DS Special Agents at each post serve as CORs and Assistant CORs (ACORs) for the direct management and oversight of the WPS contract to assist the Contracting Officer;
- DS personnel at each post are assigned as GTMs to assist the COR and ACOR in the oversight of the WPS contract.
- Direct-hire DS personnel (DS Special Agents or Security Protective Specialists) provide operational control of protective motorcades.
- Collocation of contractor life-support areas on Embassy, Consulate, or Embassy branch office compounds will enhance after-hours oversight of contractor personnel;
- Revised mission firearms policies further strengthen post's rules on the use of force, and less-than-lethal equipment has been fielded as a means to minimize the need to employ deadly force;
- Video recording and tracking systems are installed in each motorcade;
- All incidents involving a weapons discharge or other serious incidents are thoroughly investigated by the Regional Security Officer (RSO); and
- The Office of Acquisitions Management has a dedicated, qualified team of contracting officers and contract specialists assigned to administer PSC contracts. They will make regular field visits to each post to conduct reviews of PSC contracts.
- Improving the image of the security footprint through enhanced cultural sensitivity:
  - Mandatory country-specific cultural awareness training for all security contractors prior to deployment to Iraq;
  - Revised standards of conduct, including a ban on alcohol; and
  - Interpreter support provided for protective security details.
- Achieving greater efficiencies through new contract terms:
  - One set of terms and conditions enhances the ability to provide uniform, appropriate, and consistent oversight;
  - Reduced acquisition timelines;
  - Larger number of qualified base-contract holders, thereby increasing competition for each task order while controlling costs;
  - Timely options in the event a company fails to perform;
  - More efficient program management compared to multiple, stand-alone contracts;
  - Computerized tracking of contractor personnel to aid in reviewing personnel rosters used to support labor invoices; and
  - Regional auditors from the Defense Contract Audit Agency (DCAA) will be assigned to each company receiving a WPS task order.

#### ATTACHMENT B

##### INL OVERSIGHT IMPROVEMENTS

Since 2006, INL has implemented a variety of contract oversight improvements:

- Instituted more precise Statements of Work (SOWs) and more specific inter-agency agreements;
- Employed the use of Quality Assurance Surveillance Plans (QASPs) to more closely monitor contract performance;
- Required the use of a credible inventory system for use by foreign assistance contractors, which meets Defense Contract Management Agency (DCMA) requirements; and instituted an annual inventory system for contractor purchased property to reinforce accountability measures already employed through INL's end-use monitoring procedures;
- Increased the number of program officers and contract administration personnel in the field and at headquarters;
- Defined specific roles and responsibilities for contract administration staff which includes greater specificity in defined standard operating procedures for invoice validation and review;
- Improved the accessibility of contract management staff to COR files by instituting remote electronic access from the field to headquarters;
- Engaged the Defense Contract Audit Agency (DCAA) to conduct incurred cost audits of our task orders for Iraq and Afghanistan; and
- Required contractors to provide more frequent and detailed cost reporting and detailed work plans prior to the commencement of work.

## CONFLICT STABILIZATION OPERATIONS

*Question.* The fiscal year 2012 request includes a proposal to change the name of this program from Civilian Stabilization Initiative (CSI) to Conflict Stabilization Operations (CSO). Besides a proposed name change, what substantive changes are proposed for this program? What evidence does the Department of State have that the CSO deployments to date have been successful in responding to countries in conflict or crisis? Why does the program require 200 active and 2,000 stand-by corps members?

*Answer.* CSO is more than a name change; it reflects the increased emphasis on conflict prevention as a core mission and as a distinct discipline within the Department of State and USAID. It builds on the accomplishments and experience of the CSI, which currently funds the Civilian Response Corps (CRC), the Office of the Coordinator for Reconstruction and Stabilization (S/CRS) and their critical work in Afghanistan, Sudan, Kyrgyzstan, and many other fragile and conflict areas around the world. CSI was originally envisioned primarily as a means to support rapid response to countries already in conflict. CSO recognizes that preventing and mitigating conflict early is more cost effective and beneficial. Indeed, since most current conflicts are recurring, prevention and response cannot be treated separately.

For example, Sudan risked a return to civil war if key elements of the Comprehensive Peace Agreement were not implemented. We sent CRC members to Southern Sudan to help ensure the referendum on self-determination took place on time and in a credible fashion. CRC members have facilitated resolutions to local violent disputes that threatened to vastly complicate Southern Sudan's move to independence. At the request of Embassy Bishkek, S/CRS established a temporary assistance facility in the southern city of Osh after an outbreak of violence between the Uzbek and Kyrgyz communities. Not only did it give the Embassy a better understanding of the situation, but the platform put the United States in much better position to support Kyrgyz efforts to maintain stability and rebuild community relations. The value of these deployments—in lives and money saved—is immeasurable when compared with the alternative of violent conflict.

We are strengthening the CRC, using the recently completed force review, to ensure that we have the right skills and experience among responders, to include both generalists with skills in conflict assessment, mitigation and resolution and strategic planning, and specialists who bring sectoral expertise in such areas as rule of law, public health, and border controls. The CRC are deployed in Afghanistan, Sudan, Kyrgyzstan, Pakistan, Iraq, the Democratic Republic of the Congo, and the Central African Republic. In order to respond to these and other priorities of the United States, we need to have enough Active responders so that a portion are in the field, others are in training, and others are developing and disseminating lessons from the field and otherwise supporting deployments. The Standby Component provides needed depth and flexibility and, because they are already Federal employees, come at no cost to the CSO until they are deployed.

## QUESTIONS SUBMITTED BY SENATOR DANIEL K. INOUE

*Question.* In your congressional budget justification, Madam Secretary, I was pleased to see that your “strategic priority is to reinvigorate U.S. economic leadership” in the East Asia and Pacific area. You then describe this November’s Asian-Pacific Economic Conference (APEC) 2011 leader’s meeting as “an unmatched opportunity to demonstrate U.S. economic leadership in the region”. I am pleased to see that the State of Hawaii, which will be hosting the meeting, is putting considerable effort into showcasing such opportunities on the Islands. Could you elaborate on how, specifically, you intend to showcase U.S. business opportunities and how they might intersect with Hawaii’s economy?

*Answer.* As we strive to meet President Obama’s goal of doubling exports by 2015, we are looking to the growing Asia-Pacific region for greater export and investment opportunities for U.S. businesses. As host of APEC this year, we will exercise our leadership to deliver practical, concrete outcomes at the leaders’ meeting in Hawaii in November that will strengthen and deepen integration in the region by addressing barriers to trade and investment. Through this work in APEC, we will make it cheaper, easier, and faster to do business in the Asia-Pacific, putting America’s businesses, particularly its small and medium-sized enterprises, from Hawaii and the rest of the United States in a much better position to trade competitively and invest in the region.

APEC’s CEO summit will be held alongside the leaders’ meeting, providing an unparalleled opportunity for U.S. businesses by drawing thousands of economic and business leaders from around the region and the world. U.S. CEOs will be able to

engage with global leaders and other CEOs from around the region and the world, to showcase their own products and services and discover additional business opportunities through networking during the CEO summit.

The leaders' meeting will also provide the State of Hawaii with a significant opportunity to showcase itself as an investment destination, as well as for Hawaii's businesses and industries to highlight their products to the large number of leaders, ministers, officials, and business leaders gathered in Honolulu. Furthermore, Hawaii's economy will benefit from the large scale of the events, which will create a significant demand to supply the requirements for the meetings themselves and to meet the demands of the large number of officials, business leaders, and other visitors the meetings will bring to Honolulu.

*Question.* With as many as 21 world leaders attending the APEC 2011 leader's meeting, I remain concerned that ancillary or contingency security costs may fall on, and overly burden, State and local budgets in Hawaii. Are you comfortable with your Department's level of coordination with the White House and the Department of Homeland Security (DHS), and do you feel assured that the funding will be fully sufficient at all levels?

*Answer.* The Department is comfortable with our level of coordination with the White House and DHS, specifically the cooperation between the Department's Bureau of Diplomatic Security and the U.S. Secret Service, which has been productive.

As you are aware, the funding levels for fiscal year 2012 have not been set. At this time the Department of State estimates that the cost we will incur to support security for the APEC leaders meeting will be approximately \$4,525,000. As APEC approaches and the number of protective details becomes more certain, the costs will be adjusted accordingly.

Current law does not provide authority for the Department of State to reimburse State and local law enforcement entities in Hawaii for any costs they may incur as a result of the APEC leaders meeting.

*Question.* A good way to demonstrate U.S. economic leadership is by showcasing and promoting our leadership in education, if not also leadership training. The East-West Center now boasts of a worldwide network in excess of 57,000 alumni. Much like Department of Defense Regional Centers, the East-West Center has successfully introduced students to American values, built expertise and professionalism, and established a network that continues to bring together people from across a vast region to exchange views on issues of common concern. Just 2 weeks ago, more than 130 graduate students from 48 universities in 26 nations gathered to present their research at the East-West Center's 10th annual International Graduate Student Conference. How, do you think, could we build on the success of the East-West Center as a model for cost-effective public diplomacy that nurtures long-term partnerships between nations?

*Answer.* As the importance of United States relations with the Asia-Pacific region continues to grow—including with China as an emerging global power and Indonesia as the world's most populous Muslim nation—the relevance of the East-West Center's role in promoting better understanding among our nations and peoples is clear. Established by the U.S. Congress in 1960, the Center serves as a key national resource by fostering better relations and understanding among the peoples of the United States, Asia, and the Pacific Islands through education and dialogue on critical issues of common concern. Its success in bringing together people and institutions from multiple sectors—including government, academia, journalism, and the private sector—serves as a model for promoting regional collaboration, intellectual capacity building and the development of effective policy options.

The East-West Center serves as a forum for meetings between officials and leaders of Asia and the Pacific and their U.S. counterparts, offering a unique venue and expertise to foster cooperation and encourage the sharing of ideas. It continues to provide significant support to our efforts to prepare for the United States' hosting of APEC's economic leaders' meeting this coming November in Honolulu.

The Center's 58,000 alumni form a significant international network of influence in government, international organizations and educational institutions, and U.S. Embassies support and benefit from the efforts of these alumni overseas. Prime Minister Manmohan Singh of India and Prime Minister Najib Razak of Malaysia are among current Asia-Pacific leaders with East-West Center experience. Another Center alumnus, Chinese Vice Minister of Education Hao Ping, has a key role in promoting enhanced educational cooperation with the United States. The Center's biannual alumni conferences convene hundreds of alumni, testimony to the lasting value of the Center experience.

In terms of a cost-effective investment in public diplomacy, the East-West Center has been successful in its ability to leverage significant amounts of nonappropriated sources—40 percent in the fiscal year 2010 budget—for its national mission. And

the East-West Center continues to strengthen and diversify its sources of support, including from the private sector.

As an institution serving the U.S. national interest, the Center's programming also benefits from the unique ethnic and cultural diversity of the State of Hawaii. We encourage the Center to continue its efforts to strengthen its leadership programs for graduate students, young professionals and young women leaders. The Center also helps Americans improve their understanding of the Asia-Pacific region by working with high schools and colleges around the country, strengthening U.S. capacity to engage with this critical region in the future. As it builds on its legacy of long-term ties, the East-West Center will continue to be a vital part of the overall U.S. public diplomacy effort in Asia and the Pacific in the years ahead.

*Question.* The Asia-Pacific region continues to grow both in terms of opportunities as well as challenges. It appears that our imports from Asia are increasingly coming from China at the expense not only of United States domestic suppliers but perhaps also of our other trading partners in the region. As China's business capabilities grow, should we be concerned that our erstwhile trading partners in the region might be elbowed out of their own domestic and regional markets—if not also the United States market? If so, is it a consequence of less than fair trade?

*Answer.* The Asia Pacific is one of the most dynamic regions in the world today, and the growth and prosperity of the United States are strongly intertwined with the growth and prosperity of the region. As such, the President's National Export Initiative (NEI), which aims to help double United States exports within 5 years and support millions of American jobs, is focusing on China and other emerging high-growth markets. Our policy is to expand the opportunities provided to Americans from a growing China.

As the world's second-largest economy and largest developing country, China is an important contributor to global economic growth. In 2009, when global output declined for the first time in 60 years, China's aggressive stimulus measures supported not only Chinese economic growth but that of its trading partners, contributing to a fall in China's trade surplus that year from 8 percent to 5.1 percent of GDP.

Indeed, China has become the largest export market for many Asia-Pacific countries, including industrialized countries such as Japan and South Korea. Resource rich countries, such as Australia and Indonesia, have benefited from increases in commodity prices brought on by strong Chinese demand. Still other Asia-Pacific exporters have become part of a globalized supply chain in which products assembled in China are increasingly composed of parts produced elsewhere. Indeed, a substantial share of the value added in the goods we import from China comes from components manufactured in other Asian countries.

But our trade relations with China are not without problems. To ensure a level playing field, we need to address a range of issues, including market access, indigenous innovation, currency, and intellectual property protection and enforcement. This administration is addressing these trade concerns with Chinese authorities at the highest levels, including with President Hu Jintao during his recent visit to Washington. The United States has worked and will continue to work with China to create an open environment for trade with the United States and others.

*Question.* In your testimony, you claim that you have “re-engaged as a leader in the Pacific . . .” Could you please give examples of your re-engagement?

*Answer.* The United States has worked hard to renew its strong relationships with and commitment to the Pacific Islands. The region is of vital importance to Asia-Pacific regional stability and to our shared interests in maritime security, climate change, energy security, sustainable fisheries, and protecting biodiversity. Moreover, the Pacific nations play an important leadership role on global issues, particularly in the United Nations and in supporting international peacekeeping missions.

The United States is strengthening our ties with our Pacific Island partners in both multilateral and bilateral arenas, and we are constantly looking for ways to increase and better focus our cooperation in the Pacific region, particularly in the areas of capacity-building, training and technical assistance.

The new Embassy compound we are about to open in Suva, Fiji, will be the largest mission of any country in the Pacific. Embassy Suva's expanded regional offices will support better engagement in public diplomacy, the environment, science and technology, public health, defense, and labor throughout the region.

In August 2010, Assistant Secretary for East Asian Affairs Kurt Campbell attended the Pacific Islands Forum Post-Forum Dialogue in Vanuatu with the largest U.S. delegation ever, including key personnel from the Pentagon and Pacific Command (PACOM), the Department of the Interior, the U.S. Coast Guard, and the U.S. Agency for International Development (USAID). We plan to take an even larger del-

egation to the 2011 meeting this September in Auckland to demonstrate our whole-of-government approach to addressing shared concerns in the Pacific.

The annual meeting I established in 2009 with Pacific Island leaders on the margins of the United Nations General Assembly in New York demonstrates in a tangible way how much the United States values the relationships with the islands. The leaders very warmly embraced the effort. I plan to meet with Pacific leaders every year in New York.

Building on the urgent request for support from the Pacific Small Island States, we have committed \$12 million in fiscal year 2010 funds specifically for climate adaptation projects and related programs, and we requested an additional \$9.5 million in fiscal year 2011 and in fiscal year 2012. To help administer these new programs, USAID is finalizing plans for a new office in Port Moresby, Papua New Guinea this year. Funding for climate will be an essential component of our relationship—and a critical element in the regional effort to meet increasingly severe climate-related challenges. The State Department's Regional Environmental Office in Embassy Suva, Fiji, is working closely with USAID as it increases its engagement in the region.

The first United States Ambassador to Palau assumed office in 2010. We concluded a \$215 million economic assistance agreement under the 15-year review of the Compact of Free Association with Palau.

The State Department is aggressively pursuing negotiations to extend the Multilateral Treaty on Fisheries (also known as the South Pacific Tuna Treaty) and the associated Economic Assistance Agreement through which we provide \$18 million annually in economic support funds to Pacific Island countries. We are also the single largest contributor to the voluntary Special Requirements Fund for Small Island Developing State members of the Western and Central Pacific Fisheries Commission.

We recently concluded an agreement with Kiribati establishing a "Sister Marine Sanctuary Arrangement" between the two largest marine-protected areas in the world. Kiribati supports a number of counter-terrorism and regional security objectives, and the arrangement is a model for bilateral cooperation on marine conservation issues.

We have expanded our cooperative maritime law enforcement through "Shiprider" agreements with the Cook Islands, Kiribati, Marshall Islands, Micronesia, Tonga, and Palau, allowing local law enforcement officers to embark on select U.S. Coast Guard vessels and aircraft to patrol their national waters, looking for trafficking victims, contraband, illegal fishing, and weapons. The Coast Guard is looking to expand this program this year to other Pacific Island countries.

We have provided more than \$1.5 million in aid for cyclone- and tsunami-related disasters in the region since 2009, and we continue to build national capacity through ongoing disaster management training and disaster preparedness exercises provided by PACOM's Center for Excellence and others. USAID has financed the pre-positioning of disaster response supplies in warehouses in Micronesia.

Pacific Island participation in the International Visitor Leadership Program rose by approximately 20 percent in 2010, while Fulbright scholarships are at the highest level in 10 years. These programs build relationships that span generations and target up-and-coming leaders.

The U.S. Navy's Pacific Partnership program will deploy its 11th annual mission to the Pacific Islands region from March 2011–July 2011 to perform humanitarian and civic assistance activities in Micronesia, Papua New Guinea, Tonga, and Vanuatu. These activities build partnerships and strengthen relations.

The Department of State-led Energy Governance and Capacity Initiative embarked upon a wide range of technical assistance in 2010 to assist Papua New Guinea (PNG) in building institutional capacity and financial management capability in their energy sector while meeting U.S. foreign policy objectives. This program includes promoting energy security as well as furthering political and economic stability in PNG.

In partnership with the World Bank and the Government of Papua New Guinea, the United States will co-host in Port Moresby this May a first-ever meeting of Pacific Island regional leaders to discuss maternal health and economic empowerment. The United States is also supporting new efforts to increase political participation by women in the Solomon Islands and Papua New Guinea, particularly in the latter's national elections in 2012.

Next year, pending congressional approval, and based both on need and the success of current programs, the United States will double its contribution to fight HIV and AIDS in Papua New Guinea, through the President's Emergency Plan for AIDS Relief (PEPFAR), from \$2.5 million in 2010 and 2011 to \$5 million in 2012.



We recently completed a 3-month, \$1 million project to clear unexploded WW II ordnance on Bougainville, Papua New Guinea. We are developing plans for a similar project on Guadalcanal in the Solomon Islands this year.

The United States has increased law enforcement training in a number of areas, in collaboration with PACOM's Center for Excellence, the Asia Pacific Center for Security Studies, U.S. Immigration and Customs Enforcement, Federal Bureau of Investigation, and Drug Enforcement Agency. We are working with a number of the Pacific Island countries to focus greater efforts toward combating trafficking in persons.

In response to a request from the Department of State, the Department of Homeland Security has added all Pacific Island countries to the annual list of countries eligible for H-2B visas in order to help qualified citizens take advantage of opportunities for which they are eligible.

Our Regional Labor Office in Fiji promotes workers rights and vocational training, as well as anti-trafficking of forced laborers. This not only improves the lives of working men and women, but it increases labor mobility throughout the region.

As part of the Clinton-Okada agreement, Japan and the United States agreed to coordinate through the APEC forum a special climate change adaptation initiative focused on the Pacific Islands.

The United States already supports several regional organizations in the Pacific, and the Department of State is considering increasing funding this year for the Secretariat of the Pacific Community. We are encouraging the World Bank to renew its engagement, and we continue to support the Asian Development Bank.

We appreciate the consistent support we receive from Pacific Island countries at the United Nations and the ongoing contributions of many in the region to global security efforts. The United States, through its various agencies, will continue to support the development and welfare of our friends in the Pacific. Enhancing engagement and "stepping up our game" in the Pacific is a foreign policy priority for the United States.

*Question.* In your testimony, you describe how the State Department is leading a major civilian surge in Afghanistan which, alongside the military offensive, will set the stage for a diplomatic push by and with the Afghans to split the Taliban from al Qaeda. Is this the end state—or, for your agency, the performance measure—you seek? Are you currently negotiating to end Taliban support for and protection of al Qaeda? If the Taliban fully agree and honor such an agreement while still waging essentially a civil war against the central government, would the United States need to remain in the conflict?

*Answer.* As President Obama stated in his December 1, 2009 speech at West Point, our overarching goal is to disrupt, dismantle, and defeat al Qaeda in Afghanistan and Pakistan, and to prevent it from threatening America and our allies in the future. To achieve that goal, we must deny al Qaeda a safe haven, reverse the Taliban's momentum, and deny it the ability to overthrow the Afghan Government, and increase the capacity of the Afghan National Security Forces and government, so that they can handle internal and external threats. We must do this with the full recognition that our success in Afghanistan is inextricably linked to our partnership with Pakistan.

As articulated in Secretary Clinton's Asia Society speech on February 18, the Afghan Government has the lead on peace and reconciliation with the Taliban and the other elements of the insurgency in Afghanistan, and we strongly support that lead. At the same time, we have made clear our own red lines—that in order to reconcile and rejoin Afghan society, insurgents must agree to cease hostilities, break ties with al Qaeda and its extremist allies, and agree to abide by the Afghan constitution. If the Taliban were to agree to sever ties to al Qaeda and its allies but without ceasing hostilities with the Afghan Government, they would not meet all of these red lines.

*Question.* Is our new support for Yemen, if not also Somalia, essentially a consequence of our success in squeezing out al Qaeda from Afghanistan, Pakistan, and Iraq? If our new investments are successful in denying safe havens in Yemen and Somalia, could we find ourselves expending similar resources for more and more countries as al Qaeda pursues future safe havens? At what point do they run out of safe havens that we would need to deny?

*Answer.* We appreciate your question regarding safe havens and al Qaeda. Denying al Qaeda and its affiliates safe haven in some countries or regions will continue to be a challenge. We believe, however, it is possible to achieve the President's objective to disrupt, dismantle, and defeat al Qaeda. The recent success of the operation against Osama bin Laden and the Arab Spring both, in their own different ways, are signs of progress against the terrorist organization. While we continue to face

threats and risks, there is reason for hope and genuine opportunities for us to make progress against al Qaeda and terrorism going forward.

To provide some additional detail: in recent years, the United States and its partners have made progress against al Qaeda in Afghanistan, Pakistan, and Iraq. It is premature, however, to suggest al Qaeda has been squeezed out of those areas. In Iraq, United States and Iraqi security forces have had some success in combating al Qaeda in Iraq; however, al Qaeda in Iraq elements remain and networks continue to operate in Ninewa, Diyala, and eastern Anbar provinces and Baghdad. The same is true for Pakistan and Afghanistan. The Government of Afghanistan, in concert with the International Security Assistance Force and the international community, continues its efforts to eliminate terrorist safe havens and build security. However, many insurgent groups, including al Qaeda, continue to use territory across the border in Pakistan as a base from which to plot and launch attacks within Afghanistan and beyond. Despite the Government of Pakistan's increased efforts to combat al Qaeda, the federally Administered Tribal Areas (FATA), Baluchistan, Khyber-Pakhtunkhwa, southern Punjab, and other parts of Pakistan continue to be used as safe havens for al Qaeda terrorists.

While we have had some success against al Qaeda in Yemen, al Qaeda in the Arabian Peninsula remains a significant threat. We are providing training, technical assistance, and equipment to strengthen the capacity of Yemen's security forces. However, despite increased assistance and cooperation and heightened Yemeni operations against al Qaeda in the Arabian Peninsula, the group continues to find safe haven in Yemen and, given the current political unrest, this is likely to continue into the near future.

In Somalia as well, despite United States Government and African Union efforts, the fragile hold on power of Somalia's Transitional Federal Government (TFG), a protracted state of violent instability, long-unguarded coasts, porous borders, and proximity to the Arabian Peninsula, continues to make Somalia an attractive location for terrorists. Al-Shabaab, a designated Foreign Terrorist Organization whose leadership is supportive and connected to al Qaeda, controls most of Southern Somalia. The United States has been a strong supporter of the African Union Mission in Somalia (AMISOM). AMISOM plays a critical role in supporting the Djibouti Peace Process by protecting Transitional Federal Institutions and TFG personnel, and by securing critical infrastructure in Mogadishu, including the airport and the seaport. The United States has obligated more than \$258 million to provide equipment, logistical support, and training for AMISOM Ugandan and Burundian peacekeepers since the mission deployed in 2007.

Despite our efforts listed above terrorists enjoy safe haven in sparsely populated and ungoverned territories in Africa. Al Qaeda in the Islamic Maghreb is based primarily in Northeastern Algeria, but factions also operate from a safe haven in Northern Mali. We have and will continue to provide assistance and support to these governments in order to deny terrorists a safe havens in North Africa.

Denying safe havens plays a major role in undermining terrorists' capacity to operate effectively and forms a key element of U.S. counterterrorism strategy. Through technical assistance, training and the provision of equipment we aim to improve the capacities of partner nations so that they can effectively deny terrorists a safe haven in their countries. As this is not solely a law enforcement issue, we have also sought to help countries increase their provision of basic services, such as healthcare and education. In addition, we will need to continue to work to undermine al Qaeda's narrative to deny the group a continuing flow of recruits. The challenges we face are considerable, but we believe a blend of policies will allow us to achieve our counterterrorism objectives and, in particular, to increasingly close down safe havens for al Qaeda.

*Question.* I appreciate how you have split your "war expenses" from the Department's ongoing and longer-term needs. I believe it shows that you are requesting little more than the 2010 levels for your core budget, while putting in context the civilian agency contributions to our efforts in Afghanistan, Pakistan, and Iraq. Your example on Iraq is, I find, quite vivid. Was your Overseas Contingency Operations (OCO) budget developed in full coordination with DOD's OCO budget?

*Answer.* The State Department's OCO budget request was closely modeled on and informed by the DOD's OCO account. Our two agencies face similar types of extraordinary and temporary costs associated with Iraq, Afghanistan, and Pakistan. These include higher personnel expenses, enhanced security needed to operate in a high threat environment, new facilities to support expanded operations and the greater logistical demands such as fuel costs and transportation of personnel. This approach clearly identifies the additional demands these operations place on both agencies, and highlights that they are temporary and separate from our base budgets. The administration's overall OCO request also reflects coordination between the Depart-

ment and DOD as the frontline states transition from military- to civilian-led missions. For example, the Department is adopting roles previously taken on by the military in Iraq, while also taking over responsibility for funding some security forces training in Iraq. By presenting our OCO budgets in the same manner, the administration is able to provide a more complete picture of the overall costs of these operations. And finally, the OCO approach highlights lower costs that are achieved as the nature of these missions change. This is especially true in Iraq, where lower DOD spending far offsets a much smaller increase in the State Department budget in fiscal year 2012.

*Question.* Please give a couple of examples of how the leading recommendations of your Quadrennial Diplomacy and Defense Review (QDDR) will translate into significant savings by your Department and USAID.

*Answer.* The President's fiscal year 2012 budget for the Department of State and USAID are informed by the overarching direction and priorities set by the Presidential Policy Directive on Global Development and the QDDR. The budget recognizes that development progress is essential to promoting America's national security and economic interests, as well as our values. In particular, Secretary's Clinton's cover letter to the 2012 congressional budget justification highlighted priorities related to our support for diplomatic and military engagement in key frontline states (Iraq, Afghanistan, and Pakistan); Presidential initiatives in food security, climate change, and global health; as well as humanitarian assistance, conflict prevention, and crisis response. Within the State and USAID budget, and consistent with the QDDR and Presidential Policy Directive on Global Development, we are prioritizing these areas in our development agenda, as well as economic growth and democratic governance programming that are essential for reducing long-term dependence on foreign aid and increasing sustainability.

Efficiency, program evaluation, and fiscal responsibility are major components of the QDDR. At the release of the QDDR in December, the Secretary noted that "We are redefining success based on results achieved rather than dollars spent." We will minimize costs and maximize impacts, avoid duplication and overlap, and focus on delivering results.

The cost avoidance from this focus on efficiency and fiscal discipline are reflected in the President's fiscal year 2012 budget request for the Department and USAID. It is a budget for tight times, with core expenses growing just 1 percent more than comparable fiscal year 2010 levels. When the Department's \$8.7 billion Overseas Contingency Operations request is combined with the Pentagon's war costs in Iraq and Afghanistan, the total U.S. Government spending on these conflict zones drops by \$41 billion, highlighting the savings that can be reached through a whole-of-government approach to our Nation's most difficult challenges. Finally, the budget reflects tough choices, including slowing the expansion of the Foreign Service and reducing development assistance to more than 20 countries by at least 50 percent.

Fundamentally, the QDDR builds U.S. civilian power. This inherently creates lasting cost-effective benefits for American taxpayers and enhances our national security through preventative measures. It costs far less to deploy a diplomat to defuse a crisis than it does to field a military division if that conflict is allowed to grow. Civilian power is a wise investment for the United States, and through the reforms that the Department and USAID have laid out, it will pay dividends for years to come.

---

QUESTION SUBMITTED BY SENATOR BARBARA A. MIKULSKI

*Question.* With respect to Cyprus, the United States' policy has been to support a Cyprus settlement, under the auspices of the United Nations, based on a bi-communal, bi-zonal federation with a single sovereignty and international personality and a single citizenship, with its independence and territorial integrity safeguarded, and comprising two politically equal communities as provided by the relevant United Nations Security Council Resolutions, and the High Level Agreements of 1977 and 1979.

As such, the fiscal year 2011 budget included the following language that recognized the reunification of Cyprus as an opportunity to advance United States interests in the region and requested \$11 million in Economic Support Funds (ESF):

"The fiscal year 2011 request for Europe and Eurasia is for Cyprus and is focused on encouraging the eventual reunification of the island by building support for the peace process, increasing the capacity of civil society to advocate for reconciliation and reunification, and furthering the economic integration of the island."

That request previously has been supported by the Congress through the appropriations process for years now. However, language on Cyprus is not included in the President's budget proposal for fiscal year 2012. Will you continue to illustrate U.S. promotion of reunification of the island through the Economic Support Fund?

Answer. The United States goal in Cyprus is to build regional stability through a comprehensive settlement of the Cyprus dispute. In fiscal year 2012, the administration is requesting \$3.5 million for Cyprus. This foreign assistance will allow the administration to continue to support programs focused on encouraging the eventual reunification of the island by building support for the peace process, increasing the capacity of civil society to advocate for reconciliation and reunification, and furthering economic integration.

Despite the administration's continued belief in the importance of a settlement and in the value of United States programs, the request for Cyprus has been reduced from previous levels in order to allow for the distribution of assistance resources to other global priorities. If the ongoing peace process yields results in 2011, the administration will reassess its approach to ensuring a smooth transition and demonstrate U.S. support for implementation of a sustainable settlement.

---

#### QUESTIONS SUBMITTED BY SENATOR RICHARD J. DURBIN

*Question.* Last year's supplemental appropriation included \$25 million specifically for reforestation in Haiti. However, it appears that such funds may instead be being used by United States Aid for International Development (USAID) for loosely defined reforestation programs that do not include the actual long-term replanting of sustainable trees.

Can you please elaborate on how USAID is using these specific supplemental Haiti reforestation funds, including how much of the \$25 million is being spent on the actual replanting of sustainable tree cover?

Answer. Thank you for your continued interest in Haiti. Like you, USAID is concerned about deforestation, and we are committed to an appropriate and sustainable natural resources management program. Through the use of funds provided in the fiscal year 2010 Supplemental Appropriation Act, we will be better able to address the underlying causes of deforestation:

- acute poverty;
- rapid population growth; and
- unplanned urbanization.

Your concern about deforestation in Haiti is well placed. USAID has learned from past experience working in Haiti that classic reforestation approaches, in which planting begins at the bottom of a hillside and continues until the entire hillside has been planted with seedlings, are not the best means of mitigation, especially when those trees planted have no value to the farmers. For successful reforestation to occur, it is critical to improve soil conservation by converting hillsides to tree-based perennial agriculture. Because of the heavy pressure on Haiti's hillsides, trees that have no value are typically replaced with a crop that does. In contrast, trees that have value are frequently managed like a crop.

While tree cover in three major Haitian forests stands at 1 percent, if trees that are grown for crop export (e.g., mango and cacao) are taken into account, the tree cover estimates increase to 10–15 percent. This is because the value of the tree grown for export is greater than the value of the trees that can be cut down for charcoal. Farmers will maintain these trees that provide sustained and higher economic value. This analysis indicates that a solution driven by changing the market dynamics that strengthens tree crop value chains is a more effective avenue to encourage reforestation in Haiti.

USAID-funded projects have in recent years increased tree crop cover by strengthening tree crop value chains (e.g. mango, cacao, coffee, and avocado). These include efforts by the Pan American Development Foundation (PADF) and the Haiti Hillside Agricultural Program, both now completed, and two ongoing projects, Economic Development for a Sustainable Environment (DEED) and Watershed Initiative for National Natural Environmental Resource (WINNER). For example, USAID's WINNER agro-forestry activities expand perennial cover on hillsides to reduce erosion and improve soil conservation, while promoting alternative energies to lower the demand for charcoal and fuel wood. WINNER strengthens value chains for tree crops and focuses on those crops with high-value yields (such as mango) that act as an effective incentive to hillside farmers to plant and manage perennial crops. During fiscal year 2010, the first full year of operations, WINNER helped 131 farmer associations to set up 133 tree nurseries and transplant a total of approximately 1 mil-

lion trees, of which 30 percent were fruit trees and 70 percent were multi-purpose trees. Please reference below chart for details.

Reforestation programs funded by the fiscal year 2010 Supplemental Appropriation Act will contribute over the long term to replanting sustainable trees for mango and cacao in Haiti by using a value-based approach that strengthens tree crop value chains and assists in producing seedling stock. USAID projects have provided the critical proof-of-concept for a market-led approach to reforestation, an approach that incentivizes farmers to take care of high-value trees, ensuring long-term impact. This is the approach that USAID has taken with its ongoing programs (WINNER and DEED) and will continue to apply in projects currently under design, including those to be funded by the supplemental appropriation.

NUMBER OF TREE PLANTS PRODUCED DURING WINNER'S TWO AGRO-FORESTRY CAMPAIGNS IN 2010

Region	Number of nurseries	Number of tree seedlings to produce (life of project)	Number of tree seedlings actually produced	Number of local organizations involved
First agro-forestry campaign:				
Cul-de-Sac plain .....	11	220,000	138,093	1
Kenscoff/Petion-ville .....	9	155,000	144,479	9
Gonaives .....	7	132,000	140,086	7
Total campaign 1 .....	27	507,000	422,658	17
Second agro-forestry campaign:				
Arcahaie/Cabaret .....	12	400,000	105,452	12
Gonaives .....	27	540,000	438,492	27
Kenscoff/Petion-ville .....	63	4,638,000	401,068	19
Mirebalais/Saut d'Eau .....	27	1,020,000	353,757	72
Cul-de-Sac plain .....	4	120,000	109,470	1
Total, campaign 2 .....	133	3,718,000	1,408,239	131
Total, campaigns 1 and 2 .....	160	4,225,000	1,830,897	148

USAID anticipates that a minimum of 50 percent, or \$12.5 million, of the \$25 million in natural resources management funds provided by the supplemental appropriation will support activities related to tree planting, including agro-forestry, reforestation, shade-grown cacao, and mango, and other related programs designed to increase forest cover in Haiti, in accordance with the intent of the Congress and as specified by legislation. The use of increased tree cover to reduce soil erosion will strategically protect agricultural investments made in targeted lowland plains, provide sustainable sources of income for rural households, and serve as incentive to expand area under tree cultivation in the future.

SUBCOMMITTEE RECESS

Senator LEAHY. Thank you, the subcommittee is recessed.

[Whereupon, at 4:05 p.m., Wednesday, March 2, the subcommittee was recessed, to reconvene subject to the Chair.]



**STATE, FOREIGN OPERATIONS, AND RELATED  
PROGRAMS APPROPRIATIONS FOR FISCAL  
YEAR 2012**

---

**TUESDAY, APRIL 12, 2011**

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

The subcommittee met at 10:02 a.m., in room SD-138, Dirksen Senate Office Building, Hon. Patrick J. Leahy (chairman) presiding.

Present: Senators Leahy, Mikulski, Kirk, and Tim Johnson.

U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT

**STATEMENT OF DR. RAJIV SHAH, ADMINISTRATOR**

OPENING STATEMENT OF SENATOR PATRICK J. LEAHY

Senator LEAHY. Good morning.

Today we are going to hear testimony from Dr. Rajiv Shah, Administrator of the United States Agency for International Development (USAID), on the Agency's fiscal year 2012 budget request. Most of us know Dr. Shah well, and welcome him here.

About 15 months ago the Administrator took charge of an agency that has struggled for many years with serious management and programmatic weaknesses. At the time, I offered him congratulations and condolences, but I was delighted he accepted the challenge.

When he first testified here, last April, I said that too often this subcommittee and others had encountered at USAID instances of arrogance and detachment from the impoverished reality of the people in countries where USAID operates, and we'd encountered poorly designed projects, mega-contracts that were touted as success stories, but which enriched the contractors more than they helped the intended beneficiaries, and taxpayer money was wasted.

If you want to change the bureaucracy—any bureaucracy, changing the culture takes time. I continue to believe strongly that USAID needs to become a more efficient, accessible, flexible, and less risk-averse agency that rewards creativity and focuses on building the capacity of local people and governments in countries where the United States has interests. That's just about everywhere in the world. But I have seen steady process under Administrator Shah. And I compliment you for that. I mentioned out back when we were talking, I've read your speeches. You have not whitewashed problems the way some others did in the past. You've

talked about them, you've addressed them directly, and I think that's why we see improvements. But USAID still has a long way to go.

As long as I've been either chairman or ranking member of this subcommittee I have said that, contrary to what some say, USAID has an essential role to play in projecting U.S. global leadership and helping to protect U.S. interests around the world. I hear that from people in business and from our military. Anyone who doubts that has not seen what I've seen, whether it's when President George H. W. Bush asked me to go to Vietnam and see whether we could use the Leahy War Victims Fund there, or to the West Bank, or to Afghanistan, to so many other places. There are countless examples where USAID has had a profound, positive impact in ways that directly advance United States interests.

Recently I was in Haiti. That country's going to face daunting challenges for years to come and no one can dispute that USAID is helping to save lives and helping the Haitian people of the country recover.

So, it's not a question of whether your mission is integral to our national security—everyone from President Reagan to General Petraeus has recognized it is. But I want to know, Dr. Shah, how you're making the changes to ensure that USAID carries out that mission in the most cost-effective way.

Senator Graham's staff, my staff, and their counterparts in the House have been working extraordinarily hard to try to, one, stay within our budget constraints, but also make sure we spend the money wisely. More than one-half of fiscal year 2011 is past. We're only now finalizing the budget, which is going to require USAID, like other agencies, to scale back.

The President has requested significant increases in funding for USAID in fiscal year 2012 because of our security interests around the world. I believe much of what he requested is justified. I believe it is in our national interest to do more to help build stable democracies and vibrant economies around the world. But, I don't see those increases coming.

#### PREPARED STATEMENT

Senator Blunt regrets he could not be present, but has submitted a prepared statement for the record. Senator Kirk is here. Senator Graham's schedule suddenly changed, and I understand that. I'll yield to Senator Kirk, and then we'll go to questions.

[The statement follows:]

#### PREPARED STATEMENT OF SENATOR ROY BLUNT

Thank you Mr. Chairman, and thank you Director Shah for being here today. You and I had a chance to visit last week in my office and I appreciated the chance to hear from you directly on some of these topics.

Obviously your organization's mission to promote development and provide aid of all kinds to areas of the world in need is something that is both morally right and helps improve America's image in the world.

Unfortunately our budget realities mean that we just can't do as much for as many people as we would like to.

I appreciate hearing about your efforts to bring greater efficiency to United States Agency for International Development (USAID) and implement policies you've witnessed firsthand while working in the private sector and with private sector partners. I've always said that government is the last place where you measure how



much you care about something by how much money you spend on it instead of the results you see. I believe USAID should be focused on results and I hope that's the direction you're taking the agency.

I mentioned this during our meeting the other day, but I want to get it in the record. There's a program at USAID called Scholarships for Education and Economic Development and it has a partnership with St. Louis Community College. I believe this partnership has been successful and I believe the leaders of that community college want to see it continue. So I'm hopeful it will and that these students from Latin America will continue to benefit from spending time in the St. Louis community learning from my constituents about a lot of very practical skills that they can take back to their own communities.

I encourage you to continue working closely with other U.S. Government agencies. We hear a lot from our military and security leaders that USAID programs are a real added value to our efforts wherever U.S. troops are engaged. I believe that when our diplomatic, aid, and military agencies operate jointly and seamlessly, that is the best way to ensure that taxpayer dollars are being well-spent and with the maximum input of leaders with all kinds of experience. I know that bureaucratic challenges await every effort to integrate these agencies and I want to emphasize that the Congress should be doing everything it can to back up leaders who want to see these agencies better cooperate.

I also hope you'll continue to keep the Congress apprised of your programs in parts of the world that we need to be paying a lot of attention to. I know you've already briefed me personally on ongoing efforts in some particularly challenging places like Egypt, Yemen, Afghanistan, and Iraq. I appreciate that and will look forward to your feedback as those programs and many others are implemented in the months and years ahead.

Thank you again for your time today and I'm looking forward to hearing from you and asking some questions.

#### STATEMENT OF SENATOR MARK KIRK

Senator KIRK. Thank you, Mr. Chairman. And we're looking forward to Senator Graham leading our side.

I'm new to this subcommittee, but not to this bill. I think the first foreign operations bill I worked on was the fiscal year 1984 supplemental 27 years ago, and remember USAID administrators who have come and gone—I think my first one was Peter McPherson that I worked with as a staffer with the House International Relations Committee, helped to draft the legislation that made you part of the State Department. And I think that was because of critical problems that USAID basically told the State Department in critical moments in our history, like in El Salvador, that they could jump off our cliff, and, it was not in our budget, it was not part of the development goals, and so we weren't going to provide critical assistance needed to help the El Salvador peace process. And I think for leaders of the Congress at the time, that's why we rolled you into the State Department—to make you a tool of the Secretary of State, rather, sort of, as a lone ranger out there in bureaucracy land, which is what USAID had been.

We're pretty proud of the USAID team in Benghazi right now and the support that you're giving, although I'm very worried about the sustainability of your effort. Should Ajdabiya fall, my guess is that you guys are going to bug out, and then the question is, what happens to everyone else? I think that's because of a critical lack of United States air power that will be unable for us to protect the humanitarian mission, which, as my understanding was, the whole point of this operation in Libya.

I've also been worried about sustainability of USAID efforts elsewhere. The heart and soul of USAID is its immediate disaster response and support for the enabling environment around U.S.

troops. And oftentimes we've seen that when the security environment gets robust, as we would say, USAID and its partners bug out. We saw the collapse of alternative development programs in Helmand province, which was the central core of the effort for the U.S. military, and the lack of USAID and its partners being able to hang in there with U.S. troops was disturbing.

We also saw USAID trying to electrify Western Afghanistan—a key part of the effort—with a project at Kajaki Dam, but they've been unable to actually carry that out. And I think we have largely abandoned the last turbine that was supposed to go in there. And it's been a very long and tortured effort to get power to Kandahar, which, as General McChrystal and General Petraeus have said, is the central focus of our efforts in Afghanistan, and I've been worried about just how slow USAID has been in providing that effort.

But I'm most worried about USAID abandoning, apparently, a Partner Vetting System (PVS) to make sure that funds stay out of terrorist hands in the West Bank in Gaza. We have the distinct possibility, according to USAID inspector general audits at West Bank in Gaza, that we may be funding both sides of this conflict, and I will be asking you later why you have failed to meet commitments and timelines that you set before me when I was a House Member, and look very much forward to your answers on that.

And, Mr. Chairman, back to you, thank you.

Senator LEAHY. Thank you.

Dr. Shah, please feel free to go ahead, Sir.

#### SUMMARY STATEMENT OF DR. RAJIV SHAH

Dr. SHAH. Thank you, Mr. Chairman, and members of the subcommittee. I appreciate the chance to be here today, and I want to thank you all for your commitments to U.S. engagement efforts around the world, and to USAID in particular.

As the chairman noted, I've been in this role now for more than 15 months. The first 2 to 3 of those months were certainly consumed by managing an interagency response to the tragic earthquake in Haiti. While that was an all-consuming exercise for me, it was also an opportunity for me to see what Senator Kirk just referred to as the heart and soul of our efforts—our ability to move quickly in times of humanitarian crises, and our willingness to take on risks in order to serve some of the most vulnerable people around the world.

Following that experience we launched two major efforts last year—a Presidential Study Directive on development and a Quadrennial Development and Diplomacy Review (QDDR), both of which were designed to evaluate and assess how we could do a better job executing our mission abroad.

The Presidential Study Directive set some clear strategic guidelines for us to build on the development of sustainable systems, build local capacity around the world, and move away from service delivery that just requires ongoing investment without building that kind of sustained local capacity. It also directed us to be more focused on growth and good governance as major underlying factors for successful development, and encouraged us to make science, technology and innovation a major focus of how we try to bring the cost of achieving results down on a sector-by-sector basis.

The QDDR resulted in part in endorsing a set of reforms I've called USAID Forward. Those reforms cover budget, policy, human resources, procurement, science and technology, and evaluation. And in each of those areas I think we've made real progress in implementing a new strategic direction and new operating principles for our Agency and our teams around the world.

I look forward to discussing them with you, and I recognize that this kind of complete reform of a Federal bureaucracy is a difficult task to undertake.

I want to take this opportunity to thank the staff at USAID which has across the board been supportive of the efforts we're undertaking—especially certain members of our teams, both here in Washington and around the world, that have really become champions for the USAID Forward reform agenda, and taken it upon themselves to be creative and use their insights in implementing these guidances in case after case after case.

Ultimately, the purpose of these efforts is to drive better results, and to drive them in areas such as our Feed the Future program. I had the chance to visit a new partnership we've developed with Walmart that is allowing communities in the Guatemalan highlands in the western part of that country to escape a decades-long situation of poverty and child hunger and malnutrition.

I've had a chance to see our Global Health Initiative in action. We are now looking at data coming back from the President's malaria initiative that shows a 30 percent reduction in the number of children under the age of 5 who die from all causes because of our efforts to get a low-cost, insecticide-treated bed net, some indoor residual insecticide spraying, and improved treatments to hospitals and communities where kids get malaria and often die.

And I've had the chance to deeply engage with our Afghanistan, Pakistan, Haiti, and other missions. My most recent trip was to Afghanistan. While I was there I had the chance to sit with a group of women who had come together in a shura that was part of a program called the National Solidarity Program of which USAID has been a strong supporter. They represented many of the positive attributes of our new gender policy across the Agency and in that country.

I understand that our reforms are critical because our mission is critical. We need to be an ever-improving partner to the United States military in national security operations. We want to be continually more effective in places around the world, like El Salvador, which has become one of the Partnership for Growth countries where we are essentially coordinating the interagency partnership with El Salvador to help build on the track record of building local institutions and allowing that country to have a more dynamic, growth-oriented economy that can serve as a pillar for the region of Central America.

And I recognize that these reforms will not happen overnight. It takes a lot of hard work. It takes people being willing to try things differently. It takes wonderful and committed partners in the Congress in both the Senate and the House to both give the reforms a chance and to continue to encourage us with your guidance and your support and your specific comments regarding issues upon

which we need to take action on in order to accelerate our reform agenda.

#### PREPARED STATEMENT

At the end of the day this country deserves an outstanding and premier development Agency that needs to be aligned absolutely with the Secretary of State and our State Department's diplomatic priorities. It needs to work in a spirit of partnership with the military. And I think in all of those areas we've improved our performance significantly. But ultimately we want to deliver real results for the American people. We think we're on that path. And I look forward to your continued guidance and support.

Thank you.

[The statement follows:]

#### PREPARED STATEMENT OF DR. RAJIV SHAH

##### INTRODUCTION

Thank you very much Chairman Leahy, Ranking Member Graham, and members of the subcommittee. I am honored to join you here today in support of the President's fiscal year 2012 budget request.

Before beginning my testimony, I want to briefly comment on the U.S. Agency For International Development's (USAID) response to the devastating earthquake and subsequent tsunami in Japan and the remarkable events taking place in the Middle East.

In Japan, USAID is leading the United States Government's response, coordinating an interagency effort with the Nuclear Regulatory Commission, and the Departments of State, Energy, Defense, and Health and Human Services. We also have deployed a Disaster Assistance Response Team—including urban search and rescue specialists and nuclear experts—to support Japanese emergency response efforts. I'd like to thank the brave men and women on these teams for their enormous courage. USAID has provided 10,000 personal protective equipment sets—including suits, masks, gloves, decontamination bags, potassium iodide, and other supplies—to help those working near the contaminated zone in Fukushima Prefecture.

Our thoughts and prayers are with the Japanese people at this time, and we will continue to work closely with the Government of Japan to respond to their requests for assistance as quickly as possible.

USAID also has led the humanitarian response to recent events in the Middle East. As we speak, USAID teams are working on the Tunisian border with Libya and in Egypt, helping deliver assistance to those affected by conflict. In Eastern Libya, we have delivered health kits capable of providing basic care to 40,000 people, with more en route. We have also provided key support to the World Food Programme, which has moved more than 10,900 tons of food in and around Libya, enough to feed more than 650,000 people.

We will work with counterparts to help the people of the region realize their democratic aspirations through a credible transition. Drawing on experience USAID has gained over decades, we will help countries strengthen civil society, extend the rule of law, and create more transparent and accountable democratic governance.

##### RESULTS

Both the President and Secretary Clinton have emphasized that development is as important to our Nation's foreign policy as diplomacy and defense, and as a result have actively championed the goal of re-establishing USAID as the world's premier development agency.

Representing less than 1 percent of the Federal budget, the President's fiscal year 2012 request balances difficult trade-offs with a clear-eyed assessment of where we can most effectively achieve dramatic, meaningful results for the American people and the developing world.

The President's request includes significant investments in bipartisan initiatives promoting global health and food security, the foundations of which were laid by the previous administration and bipartisan supporters in the Congress.

Representing the largest portion of the President's budget request for foreign operations, the \$8.7 billion USAID and State are requesting for the Global Health and

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

Our Global Health Initiative is designed to efficiently deliver these results. Rather than create separate facilities to treat separate diseases, we will save money and expand the reach of coverage by integrating treatments into single points-of-care. In Kenya, we worked with President's Emergency Plan for AIDS Relief to couple HIV/AIDS treatment with maternal and child health services. As a result, we've extended the availability of reproductive health services from two to all eight of the country's districts, at no increase in cost.

We can also help countries develop their own agricultural sectors, so they can feed themselves. For the \$1.1 billion we are requesting for bilateral agricultural development programs, we will be able to help up to 18 million people in up to 20 countries—most of them women—grow enough food to feed their families and break the grips of hunger and poverty.

We chose these potential countries for our Feed the Future initiative selectively, based on their own willingness to invest in agriculture, undertake reforms, and encourage coordinated investment from other donors, foundations and private companies, leveraging our investments several-fold. We have worked closely with these countries to develop rigorous agricultural strategies that will bolster the success of our initiative.

But our foreign assistance will not just assist people abroad; it will benefit us here at home.

#### FROM THE AMERICAN PEOPLE, FOR THE AMERICAN PEOPLE

Our assistance represents the spirit of our country's generosity; captured in USAID's motto: "From the American People". Recent events underscore the critical importance of our humanitarian assistance request.

But now more than ever, it is critical that the American people understand that our assistance also delivers real benefits for the American people: it keeps our country safe, and develops the markets of tomorrow.

#### *Keeping America Safe*

By elevating the role of democracy, human rights and governance, we help to consolidate freedom in new and fragile democracies and expand liberty in authoritarian and semi-authoritarian countries. We also support the rebuilding of failed and fragile states during and after conflict, forging new compacts between State, civil society and the private sector that lead to increased stability and ultimately keep Americans out of harm.

As Secretary of Defense Gates, Joint Chiefs Chairman Admiral Mullen, and General Petraeus have all emphasized, we need a fully engaged and fully funded national security presence, including the core components of our Nation's civilian power: the State Department and USAID.

This year, for the first time, the President's budget designates \$1.2 billion of USAID funding for Afghanistan to a separate account called the Overseas Contingency Operation account. This transparent approach, modeled upon the Defense Department's well-established example, distinguishes between temporary costs and our existing budget in an effort to consistently budget for Defense, State, and USAID spending.

In the most volatile regions of Afghanistan, USAID works side-by-side with the military, playing a critical role in stabilizing districts, building responsive local governance, improving the lives of ordinary Afghans, and—ultimately—helping to pave the way for American troops to return home.

For example, we are helping to improve agricultural yields in the Arghandab Valley. As a result, farmers shipped the first agricultural exports out of Kandahar in 40 years. We have also helped rebuild the civil service in the Southeast and helped fuel a 40 percent reduction in the growth of opium poppies that fund Taliban operations.

In Northwest Pakistan—the current base of operations for al Qaeda and the Pakistani Taliban—USAID staff and partners undertake enormous personal risk administering more than 1,400 small-scale development projects. In the Malakand province, they have helped rebuild 150 schools so children there can become productive members of their economy, instead of turning to extremist madrassas.

Our work in promoting national security is not just limited to active zones of conflict. Throughout the world, USAID is deploying development specialists today to strengthen democracies, rebuild livelihoods and build strong health and educational

systems so that we do not have to deploy our troops tomorrow. As Secretary Gates has said: "Development is a lot cheaper than sending soldiers."

In Southern Sudan, the USAID mission worked with partners to design, procure, and pre-position ballots and supplies months before the recent referendum on independence. That foresight helped ensure the referendum, which many predicted would never occur, proceeded peacefully and successfully, but also left us prepared in the event it would not.

#### *Developing the Markets of Tomorrow*

In addition to strengthening our national security, USAID's work also strengthens America's economic security.

Today, long-time aid recipients like India, Indonesia, Poland, South Korea, and other emerging economies have become America's fastest growing markets. Exports to developing countries have grown six times faster than exports to major economies and today they represent roughly one-half of all U.S. exports.

In 2009, we exported more than half-a-trillion dollars in American goods and services to those countries, and 97 percent of those exporters were small-and-medium sized U.S. companies. That is why for every 10 percent increase we see in exports, there is a 7 percent increase in the number of jobs here at home.

We need to accelerate the economic growth of tomorrow's trade partners, ensuring those countries grow peacefully and sustainably.

But beyond these impacts, winning the future will depend on reaching the 2-3 billion people currently at the bottom of the pyramid who will come to represent a growing global middle class. By establishing links to these consumers today, we can effectively position American companies to sell them goods tomorrow.

Make no mistake: our success is intertwined with the progress of those around us. By fully funding the \$2.9 billion USAID is requesting for its Development Assistance account, we will save lives, expand global freedom and opportunity and crucially strengthen America's national and economic security.

#### REFORM

Because development is critical to our national security and future prosperity, USAID has worked tirelessly to change how we work with all of our partners.

Consistent with the President's Policy Directive on Global Development and the Quadrennial Diplomacy and Development Review (QDDR), we have launched a series of reforms we call USAID Forward.

#### *Learning, Monitoring, and Evaluation*

To ensure our assistance is effective, we are taking monitoring, evaluation, and transparency seriously. In 1994, USAID conducted nearly 500 independent evaluations. By the time I arrived, only 170 evaluations were submitted to Washington, despite a threefold increase in programs managed. In many instances, these evaluations were commissioned by the same organizations that ran the programs.

To end this practice, we introduced a new evaluation policy that is quickly setting a new standard in our field. We are requesting \$19.7 million to implement this policy and provide performance evaluations for every major project, conducted by independent third parties, not by the implementing party themselves. And we will release the results of all of our evaluations within 3 months of their completion, whether they tell a story of success or failure.

#### *Combating Fraud, Waste, and Abuse*

We are fighting vigorously to prevent and respond to fraud, waste and abuse, and to ensure a culture of vigilant oversight. I have created a new suspension and debarment task force led by our Deputy Administrator Don Steinberg and staffed with talent across our agency. This task force will provide a coordinated effort to closely monitor, investigate and respond to suspicious activity.

#### *Private Sector Partnerships*

We are also placing a renewed emphasis on economic growth, driven by private sector investment. In all aspects of our work, we are relying much more on leveraging private sector investment and building public-private partnerships in countries committed to good governance and pro-business reforms.

For example, through the Feed the Future initiative, we have launched groundbreaking new partnerships with Kraft, General Mills, and Wal-Mart in Ghana, Tanzania, El Salvador, and Guatemala to connect poor farmers to local and international food markets. And in Haiti, we are supporting Coca-Cola's initiative to promote the Haitian mango juice industry.

These efforts strengthen the sustainability of our economic growth work, while also improving the bottom line for American companies.

#### *Science, Technology, and Innovation*

Across our portfolio, we are seeking new ways to harness the power of science, technology and innovation. For our request of \$22.1 million, we will recapture USAID's legacy as the leader in applying scientific and technical solutions to the challenges of development.

We have developed a new venture capital-style investment fund—the Development Innovation Ventures Fund—so we can support start-ups, researchers, and nonprofits focused on the problems of the developing world. We are requesting \$30 million to continue using this simple, but highly competitive business model to sustainably scale innovative solutions to development challenges.

By providing seed capital to incentivize the emergence of these innovations, we practice development with an exit strategy. This fund has already funded several projects, including an easy-to-use self-administered test for pre-eclampsia, the leading cause of maternal mortality in the world.

In Haiti, instead of rebuilding brick-and-mortar banks devastated by the earthquake, we are partnering with the Gates Foundation to begin a mobile banking revolution in the country. By allowing Haitians to save money and make transactions on their cell phones, we are encouraging local wealth creation and cutting back on corruption and wage-skimming.

This approach forms the foundation of a new series of grant challenge partnerships USAID introduced just last month. Rather than building hospitals and power plants throughout the developing world, USAID will partner with foundations, foreign governments, inventors and engineers to generate new, low-cost innovations that can help countries skip the need for some of this physical infrastructure.

#### *Procurement*

Fundamentally, all of the reforms I have outlined are designed to achieve the same result: to create the conditions where our assistance is no longer necessary.

The President's budget request puts this approach into practice. It cuts development assistance in at least 20 countries by more than one-half, including 11 countries where all bilateral Development Assistance has been eliminated. It also terminates USAID missions in three countries. And it reallocates almost \$400 million in assistance and shifts 30 Foreign Service positions toward priority countries and initiatives.

USAID must continue to do its work in a way that allows our efforts to be replaced over time by efficient local governments, thriving civil societies and vibrant private sectors. That is why we have launched the most aggressive procurement and contracting reforms our agency has ever seen. Instead of continuing to sign large contracts with large contractors, we are accelerating our funding to local partners and entrepreneurs, change agents who have the cultural knowledge and in-country expertise to deliver lasting, durable growth.

These procurement reforms are crucial to delivering assistance in a much more effective and evidence-based way, generating real results faster, more sustainably and at lower cost so more people can benefit.

To implement the QDDR and USAID Forward, implement our procurement reforms and deliver development gains more cheaply and efficiently for the American people, it is crucial that USAID's fiscal year 2012 operational request of \$1.5 billion is fully funded.

We can only make these reforms meaningful if we can bring in the contracting officers, controllers, and technical advisors who can provide accountability and oversight over our contracts and grants and safeguard taxpayer funds.

As we continue the Development Leadership Initiative begun under President Bush, with strong support from the Congress, we plan on filling key staffing gaps in priority countries and frontline States. By bringing in experts in conflict and governance, global health, agriculture, education, economics and engineering, we can restore the technical capacity our agency has lost over time, and has had to contract at far greater expense.

#### CONCLUSION

The evidence is clear: development saves lives, strengthens democracies and expands opportunity around the world. It also keeps our country safe and strengthens our economy. But our development assistance also expresses our American values.

When we protect girls from sex trafficking in Asia, stop deforestation in Latin America or help Afghan girls return to school, we express American values.

When Americans see a neighbor in need, or witness suffering and injustice abroad, we respond; we mobilize; we act. We are a generous people. That fact was never clearer than when 20 million American families donated money to Haiti relief; more than watched the Super Bowl.

USAID is proud to put American values into action—distributing antimalarial bed nets donated by school children, supporting faith-based organizations that help ease suffering abroad, and engaging all Americans in solving the greatest global challenges and generating results.

Right now is a critical moment in our country's history. As a Nation, we are making a lasting determination about the future of our country, and the future of our global leadership.

Now is the time when America must decide whether it will engage and lead the world, actively using its tools of development, diplomacy, and defense to improve human welfare and freedom across the globe . . . or whether it will retract, leaving many of its poorest, most fragile global partners without assistance, and leaving other emerging global powers like China to promote alternative economic and political models.

Budgets are an expression of policy; they are an expression of priorities. But fundamentally, they are an expression of values.

Thank you.

Senator LEAHY. Thank you very much, Dr. Shah.

#### CUTBACKS IN FOREIGN AID

You'd mentioned that some people are misinformed about what foreign aid is. A recent national poll said that most Americans think it accounts for between 20 percent and 40 percent of our budget. Of course, it's less than 1 percent. And they assume that it's a form of charity, a giveaway. But USAID spent \$1.6 billion on goods manufactured in the United States—100 times more than it spent on goods manufactured outside the United States. That's why everybody—Presidents, Republicans and Democrats, and our military leaders—have supported it. But there is going to be, there will be cutbacks, I assume. There will be programs eliminated.

Give me a couple of good reasons to support foreign aid, and what you think may be cut.

#### NATIONAL SECURITY AND JOBS IN THE UNITED STATES

Dr. SHAH. Well, I appreciate the comment and the question. I believe our performance in places like Afghanistan and Pakistan are central to our national security priorities. Over the last 15 months we have dramatically increased our oversight capabilities and operational presence in those places, consistent with an integrated civilian-military plan that we are enacting with General Petraeus in Afghanistan and with our colleagues in Pakistan.

We have pursued—I think to great effect—a strategy and an approach in Southern Sudan that enabled our diplomatic efforts to be successful by supporting a peacefully conducted referendum. We now keep our fingers crossed and continue to work in partnership to ensure an effective and nonviolent resolution to the succession of South Sudan.

And I think in Haiti we're making real progress in certain areas. I'm proud of our efforts in mobile banking that I think are going to develop an innovative and important mechanism for banking and financial transactions based on mobile phones that will reach many, many more clients than older traditional systems. We've seen our efforts to get clean water to people, and to build basic systems that do that generate real results and help prevent the fur-



ther spread of critical diseases like cholera. And we know we are making progress on efforts like the industrial park in the North that will create 20,000 jobs and bases for improved housing and economic opportunity.

In all of these settings, our work contributes to and is a critical part of our national security. And it is how we project our values abroad. It is enabling our economy to be more vibrant and dynamic, and it's helping to create jobs at home.

#### EXAMPLES OF BUSINESS—CORPORATE—PARTNERSHIPS

I was with the President in India when we were launching a unique partnership as part of our Feed the Future Program, and we visited a micro-irrigation provider who was selling small-scale farmers a very cheap micro-irrigation plastic piping technology that was powered by a solar panel, and they've sold hundreds of thousands of those in India. Well, the solar panels are made in Georgia, and now they're building a plant in Michigan. And it allows us to reach a market of very poor farmers throughout rural South Asia, while creating hundreds of jobs here in the United States.

That's just one example. Across the board, our businesses are telling us that they want to engage in real partnerships so that they can cultivate the markets of the future and they can be active participants. And they find our partnerships ever more streamlined and efficient in helping them make those engagements—businesses like Walmart, PepsiCo in Ethiopia, and a number of other major firms in the southern part of—

#### USAID'S RESPONSE TO BUDGET CUTS

Senator LEAHY. But, what are some of the things that will have to be cut if your budget falls short?

Dr. SHAH. Well, they're really in two categories. One is, we've proposed a set of reallocations and we've used our new budget capability to really identify tough tradeoffs that we've made in order to move money to better-performing efforts. We've proposed in the fiscal year 2012 budget request a series of investments that continue to build on the most results-oriented programs.

The ones I'm most focused on with respect to your question are programs like the President's malaria initiative, which has shown a tremendous capability to reduce child death in Africa. That program will expand into new countries like Ethiopia and the Democratic Republic of Congo, really going after big reservoirs of high-malaria-prevalence communities. And we would not be able to expand a program that works and generates results without that.

The other area would be our Feed the Future initiative. We've seen how high food prices in 2008 led to more than 36 food riots around the world and real instability in countries where people spend a huge percentage of their income securing food and feeding their families. Feed the Future is a program that works. It's targeting 18 million people, to move them out of poverty and hunger, in 20 countries. But we simply won't be able to continue the program and the investments in those 20 countries if we're not able to secure the fiscal year 2012 budget as the President has proposed.

## PROCUREMENT REFORMS AND MONITORING

Senator LEAHY. In your congressional budget justification there is a statement that USAID is conducting a series of business process reviews; key management processes and functions to support the Agency's development outcomes more effectively; to accomplish this, USAID is utilizing a systematic repeatable approach, including diagnosis, optimization, implementation, and assessment—this bureaucratic gobbledygook doesn't tell us anything.

I tried to find a coherent description of these reforms. I couldn't. Now, I was not an English major in college, but I do read a lot and I wish you would just tell us in English—what's your most important procurement reform?

And then when you talk about monitoring—we had the problem, of course, at Afghanistan's central bank prior to your being here—USAID had a \$92 million, 5-year contract with them, with Deloitte. And, I assumed that they would tell us if they saw fraud. They never did. The inspector general said USAID found out about the fraud when The Washington Post ran an article about it. They issued \$850 million in fraudulent loans.

If we're going to be doing this, how do we make sure the contractors are honest? How do we—I don't want "optimization" and "robustification", and the rest of the stuff. I want to know who's there with the green eyeshades keeping track of things?

Dr. SHAH. Senator—

Senator LEAHY. It's a general question.

Dr. SHAH. On your—

Senator LEAHY. Good luck.

Dr. SHAH. Thank you, Sir.

On your point on congressional budget justifications, you're absolutely right. I have myself struggled greatly with the way they read. And we are taking the guidance from your team very seriously and will in future submissions have a more plain-English approach to that—which is something I'm seeking across every effort in our bureaucracy and across the Federal Government.

## EXAMPLES OF REFORMS USAID HAS UNDERTAKEN

With respect to procurement reform, we've really taken on some very fundamental reforms. The first is building local capacity development teams in our missions around the world. We have a plan for expanding the numbers that we do. But what we do is we build a team that includes a first tour officer, a more seasoned Foreign Service officer, local staff that understand the context and institutions locally; have them develop a game plan for getting a higher percentage of total USAID commitments directly to local institutions and organizations. And that's making a big difference.

I had a chance personally to meet with the first 50 or so members of these teams, and I really believe, I mean, they have a huge amount of passion and commitment to this. They're doing important work and innovative work. We've made a number of specific policy changes in order to enable them to be successful. And—

Senator LEAHY. I want that work to show. I mean, I don't want it to get—

Dr. SHAH. Absolutely. Yes.

Senator LEAHY [continuing]. Consumed in this.

Dr. SHAH. As another example, we've been breaking down these Indefinite Quantity Contract (IQC), which are these very big contracts, into smaller chunks and into things that are more broadly competed and allow for more firms to be essentially winners within an IQC. There's a good example of that with respect to our construction and vertical structures programs in Afghanistan, where they worked hard to break a big IQC into four smaller components—three or four smaller components—that have a greater amount of competition to get you better results for American taxpayers.

Third, we've created a board on acquisition and review of large contracts, and a suspensions and debarments task force. And we have been aggressive about pursuing enhanced accountability across all kinds of partners—public and private sector.

#### MONITORING PROGRAMS IN AFGHANISTAN

With respect to Kabul Bank, we have canceled the component of the contract that I believe you were referring to. We do not believe that Deloitte, or USAID, or the U.S. Government writ large could have stopped the massive fraud that existed there. But, the concern that I had was that the structure of the project—

Senator LEAHY. But nobody knew about it. That's the problem.

Dr. SHAH [continuing]. Precluded—exactly—precluded information from coming to sources it should have been coming to. And that's just wrong. So, we're reviewing a broad range of our efforts there.

In Afghanistan, we've launched a project that we call A-cubed, or, Accountable Assistance for Afghanistan, and I look forward to talking a little bit more about the different programs within that.

But I think over the past 15 months the progress and the improvement in contract management and oversight in Afghanistan has been tremendous. I believe there's still a long way to go, and I welcome the cases where we find things that we can then go after or cancel, so that we can keep the teams really focused on implementing the A cubed initiative and doing that aggressively. Thank you.

Senator LEAHY. Thank you.

Senator Kirk, I've gone way over my time and I apologize. Please go ahead.

Senator KIRK. No. Thank you, Mr. Chairman.

#### PVS—SENATOR KIRK'S INQUIRY

In November 2007, the USAID Office of Inspector General said that "our audit determines that USAID's policies, procedures and controls are not adequate to ensure against providing assistance to terrorists on the West Bank." USAID properly responded in July of that year with a PVS, and you spent \$2.5 million taxpayer dollars on setting that system up.

In September—or, I'm sorry. Then you, in January 2009, USAID published its final rule on the vetting system. In May, Jacob Lew testified before my old committee that this PVS is in the rule-making process, and it's our intent to become final.

In June 2009, the PVS rule was made final. In March 2010, you appeared before me when I was a House Member and you said, “We are prepared for USAID programs, for the PVS to roll out this year”—that was 2010—“and we will come out with very specific plans on March 16.” That was March 16, 2010.

On April 2, then, in a response to a letter from me, you said, you wrote in writing to me that “We will be putting this out within 1 month, and should be ready to launch the program by the end of the summer.” Meanwhile, you’ve just been getting pounded by your own inspector general, who says that “We have no way to ensure compliance in March 2011.” Your inspector general said that the program was vulnerable to inadvertently providing material support to organizations for persons who commit, threaten—or, threaten to commit or support terrorism without the knowledge of USAID in the West Bank and Gaza. You also—the inspector general also said that, “Our Office of Compliance specialists provided mission management summary reports of instances of noncompliance with vetting requirements. However, the position now has been vacant since March 1, 2010. Mission management no longer receives any of these reports.”

Boy, this is not looking good for your running of this program—like, really terrible. How do you answer?

#### USAID’S PVS AND OTHER ANTI-TERRORIST PROGRAMS

Dr. SHAH. Well, the PVS in West Bank and Gaza has been up and running. It has not stalled. We are seeking a new person to fill the position, but we’re able to continue to implement the program with respect to that point.

The point that you referred to about our prior conversation on this I can speak to. As you know all of our missions complete antiterrorism risk-based assessments on an annual basis, and—

Senator KIRK. No, I—

Dr. SHAH [continuing]. We check our partners—

Senator KIRK [continuing]. Don’t—I’m asking—

Dr. SHAH [continuing]. Against lists maintained by the Office of Foreign Asset Control. And before awards are made, nongovernmental organizations (NGOs) are required to certify that they do not provide any material support to terrorists. In addition, we require partners to adhere to basic U.S. law which, of course, forbids furnishing of assistance to terrorist entities. And we’ve established the mechanism that you described in the West Bank and Gaza, which we feel is effective, and the inspector general has supported that. We’ve also applied that mechanism in different forms to Somalia, Yemen, and Afghanistan.

At the beginning of this administration, USAID had developed—and in the context of those conversations—a very specific PVS program to test out more broadly. At approximately that time, the Congress passed an annual appropriations bill which directed us to apply the program equally to State and USAID, and Jack Lew, who was the Deputy Secretary at the State Department at the time, and I worked through carrying out that directive for many, many months.

Since that time, we’ve worked to develop a very specific joint pilot program with the State Department. We propose to roll it out

in five or so countries. We've tried to assess a range of threat environment——

Senator KIRK. So, wait a minute. So, after promising me that you would roll it out as of May 16, 2010, you're now promising to re-roll it out a year later?

Dr. SHAH. Well, I'm, well, what I wanted to suggest is, we have the pilot designed, ready to go with the State Department as we were directed to do. And we would like to——

Senator KIRK. Well, let me go back. Why——

Senator LEAHY. Let him finish.

Senator KIRK. Yes.

Senator LEAHY. I'll give you a chance to go back.

Dr. SHAH. And we would at this point like to consult with the Congress. But the specific congressional directive around this particular pilot is something we are committed to do in a manner that covers both State and USAID, and covers similar types of projects and programs in a range of threat environments as is our interpretation of the guidance.

That has not stopped us from being ever more aggressive about partner vetting—especially in specific high-threat environments in Afghanistan, Yemen, and Somalia where the West Bank, Gaza PVS approach has been one that we've been more aggressively pursuing in those places.

And frankly in Afghanistan in particular, where through the terrorist threat financing cell task force 2010 and the Accountable Assistance for Afghanistan program, we have a very robust effort that identifies individuals, brings in the U.S. intelligence community, as well as the military, in that process. And that's been a real priority for us over the last 15 months.

So I just want to make the distinction between the pilot congressional directive, which we are trying to meet in a joint State-USAID manner, and the efforts in Afghanistan and other places, where we're trying to be very robust on our own in the context of accountable assistance for these particular environments there.

Senator KIRK. I didn't ask about Afghanistan.

Dr. SHAH. Okay.

Senator KIRK. So let's go back to May 16. Why did you miss the target?

Dr. SHAH. Well, I did not mean to mislead in any context. My understanding at that point in time was we had a pilot ready to go. I didn't know what it would take to turn that into a joint State-USAID pilot. It took longer than I think any of us would have liked. But we're at that point now where we have it. It's ready. It's designed. And we seek congressional consultation before rolling it out.

Senator KIRK. So can you give me a date now that's more valid than the date you gave me?

#### ANTICIPATING THE ROLL-OUT DATE OF THE PILOT PROGRAM

Dr. SHAH. Sir, I have learned from this exercise not to pick a date here. But we certainly have a——

Senator KIRK. Just let me——

Dr. SHAH [continuing]. A proposal that we'd like to have feedback on.

Senator KIRK. So you are unable to give a date to assure—you've got a \$495,000—or \$95 million funding request, and you are unable to say that you will put in a previously designed and paid-for system in place to ensure—or let me ask you this. How many UNRWA unions are controlled by Hamas right now?

Dr. SHAH. Well let me answer—I can't answer the second question. Let me try to answer the first. I would like us to implement this pilot as has been directed as quickly and efficiently as possible.

Obviously, my desire to get there was delayed by the efforts we undertook to make this a joint State and USAID pilot, and we do want to do this in a manner that has appropriate congressional consultation so that we know that the countries we've selected and the range of threat environments and the data that come back from the pilot meet all of the needs, and help us learn about how to then roll this out in a broader way. So—

Senator KIRK. So it could be another year.

Dr. SHAH. I don't think it will be another year. I think we can come up here right away with the actual consultation on the pilot plan, and based on feedback from our partners in the Congress, then roll it out.

Senator KIRK. Thank you, Mr. Chairman.

Senator LEAHY. Okay. Thank you, Senator Kirk.

Senator Mikulski.

Senator MIKULSKI. Thanks, Mr. Chairman. And really thank you and your staff for your, just, steadfast work, not only in this budget, but in all others, really, to look out for the poor and marginalized in the world.

Dr. Shah, I'd like to first of all welcome you to the Agency.

Dr. SHAH. Thank you.

Senator MIKULSKI. You have a unique background with your M.D., your work with the Gates Foundation, your initiatives in global health, and now this very hands-on experience. So we're glad to see you.

During this time when Federal employees are being so bashed and trashed, I would like to thank the staff of USAID, both here and those who serve abroad, for, really, what they do. Many serve in harm's way. If you're an USAID worker you're always in a place that's either dirty or dangerous or both. And I just want to—I'm going to express my appreciation to them.

As the Senator from Maryland, I represent many faith-based organizations that are deeply involved with USAID—Catholic Relief, Lutheran Refugee Services, and others. So we know what you do, and we know what you're supposed to do. And I'm going to make sure you have the right resources to really do the job.

#### THE IMPACT OF BUDGET CUTS ON USAID'S PROGRAMS, ESPECIALLY IN NICARAGUA

I want to get right to the impact of cuts in foreign aid. I just mentioned Catholic Relief, and I know that they operate a \$7 million program in Nicaragua, helping close to 6,000 women participate in growing coffee. They actually cultivate hundreds of acres, and they even signed a U.S. Fair Trade deal or a United States—there's this whole one group that's a United States, United States Fair Trade-certified company. They, themselves, have been empow-

ered. They're now creating jobs in Nicaragua, and they're also helping create jobs in this country.

Could you tell us, with the impending cuts, will you be able to sustain the Nicaraguan Empowerment Initiative—not only the Catholic Relief, but—there? And also, how do these cuts focus particularly on these empowerment initiatives that lead to economic self-sufficiency, which is one of the, is always one of the most potent forces in a country?

Dr. SHAH. Thank you, Senator. And I want to thank you specifically for your comments about our staff and our and their efforts around the world at this challenging time.

With respect to how these cuts would affect us, and your specific question about Nicaragua, we really would not be in a position to, at this point, suggest any program could be protected. We don't, of course, know what the range of the cuts might look like, and we don't know exactly where our fiscal year 2011 reality will put us. So we will work through that in the coming days and weeks.

But it is certainly fair to say that the things that are most at risk are the initiatives that have been started or expanded, really, over the last 3 to 5 years, since much of this discussion does seem to start with a 2008 baseline conversation. And in that respect the programs that would be most vulnerable are unfortunately some of the most efficient programs because, on a bipartisan basis, starting with President Bush and continued by President Obama, we have proposed increases in specifically those areas where we believe we get the most bang for our buck, and where, as you put it, we are able to get real economic empowerment that allows us to have an exit strategy on our assistance.

#### FTF AND FOOD SECURITY

The, perhaps the most important example of that is the Feed the Future initiative, which builds on President Bush's significant budget proposal between fiscal year 2008 and fiscal year 2009 to really re-energize American assistance in the area of agriculture and food security around the world—the project you mentioned sounds like it's one of those—and was in response to the 2008 food price crisis that moved 100 million people back into a state of chronic daily hunger.

Today we face a similar issue with food prices and with the consequence of it, and we've structured, I think, a very effective program in 20 countries, where countries, in order to participate, have made their own commitments to dramatically expand their investment, have committed to reform their laws to allow for improved foreign direct investment and local private sector investment, and where our dollars leverage other donors and the private sector quite dramatically. And it's precisely those efforts, efforts like our major WalMart partnership in Central America that will reach tens of thousands of farm households and allow for real sustained economic development at very high leverage to the U.S. taxpayer, because we only pay to help the farmers plug into the WalMart purchasing agreement.

You know, that's, those are the types of programs that—

Senator MIKULSKI. Well, I want to come back and talk about—

Dr. SHAH [continuing]. Will unfortunately be at risk.

## USAID'S RELIEF AND ASSISTANCE EFFORTS IN HAITI

Senator MIKULSKI [continuing]. Partnerships in a minute. But I'd like to go now—first of all, I think, I appreciate that answer. I'd like to go to Haiti. You know, there are so many headline issues, my gosh, the Jasmine Revolution, the terrible tragedy unfolding in Japan. But there is Haiti that had a tremendous response of the United States of America. Our Government's involved, we are working through these fantastic faith-based NGOs.

Could you tell us where you see in 2012 the sustained effort in Haiti and what you think, in order to keep that commitment to a country in our own hemisphere, what we need to ensure?

Dr. SHAH. Certainly, we have a, we've had a very structured and focused effort in Haiti. We have spent considerable time designing an international development strategy for Haiti that is Haitian-led and that is implemented in tight coordination with an institution called the Interim Haiti Reconstruction Corporation that essentially helps integrate and ensure coordination is effective across international partners.

Our efforts focus in areas like agriculture, an industrial park in the North, expanding access to energy to create the basis for economic growth, and health and education.

You know, all of these efforts are pretty fundamental to the future of Haiti being able to be a more dynamic, more viable, more economically self-sufficient country. And in many of these areas we're starting to see some early results—like in agriculture, where our efforts have, in certain areas, demonstrated the doubling of total productivity for a country that is still very much an agrarian economy. And we've worked with partners like Coca-Cola to help them engage in Haiti and create a real supply chain, especially around mango juice and products like Haiti Hope, which get us more leverage on our dollars.

Senator MIKULSKI. Well, first of all, my time is up and thank you for that answer. We want to have ongoing conversations with you. I'll be meeting with these NGOs next week.

## PARTNERSHIPS FOR FUTURE CONVERSATION

Mr. Chairman, I know my time is up, but there, you should know there are two partnerships on, you know, that I want to have further conversation.

First of all, the women of the Senate on a bipartisan basis are going to be getting together, working with the Secretary, then back to you with ideas on, really, what's going on in the Middle East, and that we don't lose ground with women. So we're doing that on a bipartisan basis, led by Senator Hutchison and myself.

The second thing is, will be these private sector partnerships. That's another conversation.

## PROGRAMS TO AID HAITIAN AMPUTEES

But, Mr. Chairman, on Haiti, you'd be interested to know, under your good work we took an idea that you're known for—so many of the problems that happened in Haiti led to the building collapses, led to the horrific amputations of people. You remember when we were in Africa together, so many years ago, and I saw the



outstanding job you did by creating a local facility where people had lost their legs and ankles due to land mines. Under Senator Leahy's leadership—he'll be too modest to tell you—we actually—he actually helped fund, creating a factory where they made low-cost limbs to put people literally back on their feet again.

We took that idea, and through the advice of the John Hopkins School of Public Health found out who else was doing that, and we're now doing that in Haiti. So I took your idea, went to the Bloomberg School of Public Health to see what others were working on it, and we're doing that. And literally—it's not a big initiative, Sir, but, you know, your idea, I think, had such great impact, and, my God, to lose a leg, and not being able to work or farm or whatever.

So I just wanted to mention that to you because of your leadership in this area.

Senator LEAHY. Well, I would thank you.

And I might say to Senator Johnson, too, I was just down in Haiti a couple weeks ago and visited one of the areas where they give prosthetics to amputees. I saw children the age of my grandchildren who've lost arms and legs and learning how to walk and then people my age who've lost arms and legs and learning how to walk.

But I mentioned, Dr. Shah, one of the—basically a volunteer, a doctor from Belgium who's there, so we could speak in French—and when I thanked him for what he was doing he grabbed my arm and he said, "Pour les enfants"—For the children.

And it's a very difficult, very difficult time. Johns Hopkins is, of course, I can't—I stand behind nobody in my admiration of Johns Hopkins. I'm glad we've done that.

Senator Johnson, you've been waiting patiently. Please go ahead, Sir.

Senator TIM JOHNSON. Thank you, Mr. Chairman.

Dr. Shah, thank you for coming before the subcommittee here today.

I'm pretty new here in town. But I guess I'd first of all like to second Senator Mikulski's comments regarding USAID workers. On a recent trip to Pakistan and Afghanistan I met some USAID workers, and they're just fine individuals. They're working hard to try and do good things, and I certainly believe that U.S. foreign aid can be a real positive influence throughout the world, enhance the reputation of the United States.

But I think it's unfortunate with our fiscal situation, where we're running \$1.5 trillion or more annual deficits, money's extremely tight. So, it's just critically important that any funds that we do expend are done in an incredibly efficient and effective manner.

So, I guess the first question I have is, your total budget is about \$24 billion, is that correct? Just, you—

Dr. SHAH. Yes.

#### REALLOCATIONS OF FUNDS AND THE NEED FOR EFFICIENCY

Senator TIM JOHNSON. Okay. Do we have any sense for how much of that money really is siphoned off, that really is not going for what it's intended?

Dr. SHAH. Certainly. I would step back a moment and say, across our requests, especially in fiscal year 2012, we've tried to be very rigorous about finding reallocations within our portfolio. So instead of asking for additional resources for core priorities and for the types of results we've been talking about, we've really looked hard at the things we do, things we can stop doing, and areas we can get efficiencies.

Examples of that include eliminating a number of positions in Western Europe and Japan and places where we have development counselors working with other donor countries—not to say their activities weren't important, but the costs of keeping them there were very high, and we think we can do that work virtually based out of our team in Washington.

We have proposed shutting down a number of our missions around the world in order to lower the overall cost basis of our operating expenses, and we've proposed major reductions—more than 50 percent programmatic reductions—in a range of small programs and smaller missions in order to really be more focused and selective in how we apply our investment and our resources.

In addition to that, we've proposed \$400 million of specific cuts and reallocations in the fiscal year 2012 budget, and I could walk through examples of that. But they are all designed to allow our portfolio to be more optimized against the results we seek in terms of reduction of hunger, promotion of child survival, improving democratic governance and opportunities for that, especially in the Middle East, and fulfilling our core national security priorities in places like Afghanistan and Pakistan.

#### OVERSIGHT OF FUNDING REALLOCATION

Senator TIM JOHNSON. Okay. But, again, that's speaking to efficiency, which is extremely important. But the question I asked really had to do with just funds going to—like Senator Kirk was talking about—potentially, foreign terrorists. I mean, going to uses for which they're not intended. I mean, have you, do you have any estimate on that at all? Is there any study that's been prepared within your agency to try and figure out what that potential number might be out of \$24 billion?

Dr. SHAH. Well, I'll say, when we identify those cases we go aggressively into canceling those programs, seeking prosecution, as we have done in a number of instances this past year and as we are doing more aggressively now that we've implemented some of the aspects of our procurement reform and contract oversight efforts. So, we don't have an aggregate number if we knew a certain amount of money was going for an inappropriate and illegal purpose, we would immediately cancel that project or program and immediately seek restitution and prosecution, no matter who the partner was, in terms of exploring that.

I've told the teams this. In Federal Government in general, I think, there's sometimes a reluctance to have bad news highlighted. I've said I want to see these examples because the more of these we find and the more we can ferret out, and the more we can seek restitution, prosecution—whatever is most appropriate—is part of our measure of success in improving our accountability.

And that's what we're trying to do with our procurement reforms and our Accountable Assistance for Afghanistan program.

#### CONSEQUENCES OF CONTRACT VIOLATION

Senator TIM JOHNSON. So, have your team, or has your team brought you, brought to your attention those types of instances? And give us a couple examples.

Dr. SHAH. Well, they certainly have this past year. Some of what is currently under consideration are ongoing suspensions or legal cases that I, perhaps, can't really speak to in a public setting. But some of them are publicly acknowledged. We had malfeasance in certain programs in Afghanistan and Pakistan. We shut down those contracts and programs, and together with the Department of Justice, sought restitution from a number of partners. We have changed the way accounting and reporting takes place with respect to partners in those settings, so that we have more visibility on subcontracts and subcontracts of subcontracts, and tried to collapse the number of layers in our contracting so that we simply have more visibility. That has helped us identify even more cases where we are actively seeking actions against them.

I don't know if it would be appropriate for me to describe them in this setting, but I'm happy also to speak privately or come back to your office with some of the cases——

Senator TIM JOHNSON. Okay.

Dr. SHAH [continuing]. And how we've tried to handle them.

Senator TIM JOHNSON. Fair enough.

#### SPENDING PRIORITIZATION AND ALLOCATION OF FUNDS

With a \$24 billion a year budget, what method do you use, or, how do you prioritize your spending? I mean, are you familiar with Bjorn Lomborg's work in terms of, you know, cost benefit and actually putting dollars to where it has the most benefit?

Dr. SHAH. I am. In fact I worked very closely with Bjorn when I was at the Gates Foundation because our basic approach was about allocating resources against where you get the best results. I think you've seen that in how we've structured our food security program, where we find it is more efficient, more results-oriented and more sustainable for us to invest in agricultural development in low-income countries than in either, you know, basic food aid—although we need to be able to respond to emergencies in that context—or in dealing with the consequences of large-scale hunger and famine. So, we've focused on 20 specific countries where our money gets leveraged by others, and where we can document very specific results in terms of people moved out of poverty, and children who are moved out of a state of hunger and stunting.

In health we've done the same thing. We've looked across every business line in our global health portfolio, identified where we not only save the most lives, but where we do it at the lowest unit cost, and proposed a strategic approach forward that prioritizes immunization, malaria, HIV prevention, and a number of other areas where we think we can bring the cost structure of getting the outcomes down significantly. And in areas like tuberculosis, for example, we've restructured our efforts to invest in new diagnostic technologies, because that's part of getting the whole cost structure to

be more effective in that space. So, those are just examples. We're doing that across all of our areas, like water and education, and a number of other priorities.

But, I'd be remiss if I didn't also note that some of our budgeting at a macro level is, of course, tied to national security priorities, and so it's a combination. In certain accounts we can be very focused on sheer numbers and unit costs, and in other accounts there are a broader set of considerations that are taken into account that define allocation.

Senator TIM JOHNSON. Okay. Thank you, Dr. Shah.

Thank you, Mr. Chairman.

Senator LEAHY. Thank you, Senator.

#### EFFICIENCY AND EFFECTIVENESS IN HAITI

We talked about Haiti, we talked about overhead. I was in Haiti a couple of weeks ago and one of the things I looked at, because we'd seen a New York Times article was the fact that Sean Penn's organization, which manages one of Haiti's largest camps of displaced persons, is doing rubble removal and home reconstruction, and spends only 3.2 percent on overhead. You have an area where there's been a flood—you walk through a few days later and they can point to the mark where the water was, but the water's gone. The rubble, in a lot of these streets, was way over my head and had to be removed with picks and shovels and wheelbarrows and they've cleared street after street.

Now, if they can do that with only 3.2 percent overhead, why can't other USAID grantees and contractors operate like that in Haiti and other countries?

I say this because I know a lot of people, well-known people, go to Haiti for a day or so and say, "Oh, we've got to do something", and talk about it and leave, but Mr. Penn has lived in those camps for months. He's out there working every day with the people, and they're actually getting things done. Why can't that be replicated? Of course, it would help if you had a government that cared more about the Haitian people than about itself.

Dr. SHAH. Well, you know, with respect to Haiti in particular we have been trying to assess—as a criteria for letting contracts and exercising programs—overhead costs, and using that as a core criteria for resource allocation. It's hard—

Senator LEAHY. Yes, but it's been 2 years. It's time to get it done. I mean they—

Dr. SHAH. Well, and we are. And we are. We're able to do that.

Senator LEAHY. Cholera season is coming.

Dr. SHAH. I will say that it's hard to know. What different people count in overhead is very different, and I have found that the biggest disparities are often not quite as large as they appear.

That said—

Senator LEAHY. Was the New York Times wrong in that 3.2 percent?

Dr. SHAH. I don't know the details of—

Senator LEAHY. Okay.

Dr. SHAH [continuing]. Sean Penn's organization. I give him a huge amount of credit for both his efforts and what J/P Haitian Re-

lief Organization is doing, and we've been partnering with them, as you know, Sir, in a number of different effective efforts.

#### USAID'S APPROACH TO CONTRACT REFORM

But overall, you're absolutely right to highlight this. And what we've done is, we've actually mapped out the flow of a development dollar through different systems—the contract system, the grants assistance system, cooperative agreements, tools like our Development Credit Authority that get us more private sector leverage from the spending of our resources. And in our budget allocations, we're now using the basic cost of doing business as criteria to propose reallocations.

The other thing we're doing in our contracting reform is basically setting guidelines to reduce the overheads that are embedded in contractors. We're able to do that more generally in some specific contexts. It's harder to do in security threat environments where those overheads can be very large, but are required to be able to conduct the work in insecure settings.

Senator LEAHY. Everybody wants to help out in a tragedy. I just want to make sure that it's the people that get helped out.

Dr. SHAH. Sir, and I—

#### GOVERNMENT IN HAITI

Senator LEAHY. In Haiti, where I see a lot of expensive vehicles and operations, I also see a lot of people living under tarps and trying to bathe in polluted streams and it's almost overwhelming. It was a poor country to begin with, and now it's worse. Do you think with a new government things will improve? Do you have any early sense about that?

Dr. SHAH. Well, it undoubtedly is too early to tell, and I should probably leave it at that, in the sense that we're at a provisional result at this point.

Senator LEAHY. Will you be working—when the new government is sworn in, will you be working—will USAID be working with them?

Dr. SHAH. Absolutely.

Senator LEAHY. Okay.

Dr. SHAH. And we have been working through the Interim Haiti Recovery Commission with the Prime Minister, with the government very, very closely. And we do that, of course, hand-in-glove with the State Department to manage that relationship and to make sure that it's effective.

I will just validate your point that on case after case, we achieved big breakthroughs in things like rubble removal when the government stepped in and made some decisions. Sometimes that took time to get there, but we do see real progress once those decisions are made and once they enable that.

So the point about working in partnership not only applies in Haiti, but applies everywhere we work, and we've really changed—frankly, we've changed our promotion precepts and how we allocate our senior managers to different mission director posts, and made the number one criteria for both promotion and for how we allocate our people, a criteria we call “inclusive leadership,” but, essentially, a measure of whether people are effective at working well in the

interagency, and being good partners with NGOs and private firms and local governments.

#### SUSTAINABLE DEVELOPMENT AND AFGHANISTAN

Senator LEAHY. I think USAID is being asked to do the impossible in Afghanistan. I've talked to General Petraeus. I've talked to others about this. That's a country with every imaginable problem. The ingredients for sustainable development really don't exist. You're being pressed to spend money as fast as possible. I think in a few years there may be little to show for the huge amount of money spent there.

I'm for helping Afghanistan, but the government's not a reliable partner. I've visited there. I've talked with our men and women in uniform. They're trying to do the impossible. They're doing it bravely. But I wonder if their short-term goals are really compatible with long-term sustainable goals.

What are USAID's long-term goals? Ten years after 9/11, having borrowed for the first time in American history, for a war, we borrowed the money—instead of having a surtax or something to pay for it—we borrowed the money for two \$1 trillion wars, and we've not got an awful lot to show for it. What are we going to see 5 years from now in Afghanistan?

Dr. SHAH. Well, Sir, I would start with the findings of this year's Afghanistan and Pakistan annual review that the President conducted, and concluded that our core area where we need to improve our progress in Afghanistan is in making the gains that have been realized in security, development, and governance more sustainable and more durable.

Senator LEAHY. How are you going to do that when a government in Kabul turns power over to warlords, and oftentimes corrupt groups in other parts of the country, and say, "Here, go ahead and have Sharia law. Do whatever you want."

Dr. SHAH. So, to implement—

Senator LEAHY. "But we're living well in Kabul."

#### IMPLEMENTATION OF AFGHANISTAN PROGRAMS—GOALS AND CHALLENGES

Dr. SHAH [continuing]. This approach, we've been more focused on accountability in our assistance—and I talked through our A-cubed effort. We are also working in closer partnership with the government on improving delivery of assistance into districts and into provincial implementation mechanisms. And some examples of that are areas like agriculture, where I think we've seen real progress since we've made a strategic shift to invest more in that area. We're seeing improved yields, and we're seeing improved aggregate, economic activity in the agriculture sector, and we're starting to see real exports in that sector. I just visited a program that will have lasting, decades-long benefit where entire regions of Nangarhar province are developing vegetables, and now they're meeting higher processing and packaging standards, and selling to—

Senator LEAHY. And they were a huge export market for much of that part of the world. But the transmission lines aren't there.

I mean, is it going to continue, that the water can be shut off if bribes aren't paid? It worries me that—

Dr. SHAH. Well, look, I would just say—we know that this is a difficult environment in which to work. We've implemented what we call a sufficiency audit, or a sustainability audit, across all our programs to be able to prioritize those that meet the President's guidance of sustainability and durability in benefit.

The areas where we're optimistic we'll have strong programs include agriculture, power and roads, health and education, a mobile payment system that will improve the way the civil servants are paid and reduce graft and corruption, and programs like the National Solidarity Program that just went through a pretty rigorous third-party review and showed good results.

So, we are doing this as part of an integrated civilian-military plan. The goal is to resource transition—and we know that USAID and the civilian side of this is an important partner to the military in achieving that goal. And we're trying to be the voice for effective sustainability of programs.

Senator LEAHY. I think with our diplomats and our military you have very good partners. I don't see it on the other side. I hope you're right. I must admit that I'm virtually at the end of being willing to support activities in Afghanistan when we're not getting the support we should from the Afghan Government.

I look at what's happening in Pakistan. They tell the Central Intelligence Agency yesterday—don't attack those people who are out there killing you, or we'll allow people to kill those who are bringing oil to your soldiers who are risking their lives, and we'll just kill the truck drivers, as they have several times.

#### ACCESS TO SAFE DRINKING WATER

I mean, my frustration level is very, very high, and that's a New England understatement. But we also have, I hear about cutting funding for international family planning, and I think about safe drinking water. You may wonder how those go together. The world's population is destined to go to 9 billion or higher. Millions of people have no safe water. Many others, usually women and children, have to walk long distances to get small amounts of it, sometimes through minefields. I think you're going to find wars being fought over water within a decade, just as they now fight over oil. I think you're going to find—and we already have regional conflicts over water. Anything you can do to stop that? We are just tossing all the problems of the world on you, Dr. Shah, so tell us how we approach that one.

Dr. SHAH. Well, first, I very much appreciate your raising that issue. It is very important to us, and the Secretary in particular has issued a number of statements on the subject of safe drinking water and available water.

The way we are approaching it is really through a new approach. We're in the process of developing a new strategy that more closely ties investments in clean drinking water and water that's available for productive uses—agriculture and others—to core goals around saving lives, reducing labor spent collecting water—mostly women and girls' labor—and improving economic productivity, mostly in the agriculture sector. And we think by tying our programs to

those three specific outcomes, we will be more effective at both implementing programs, getting results, reporting those results, and building support for a more effective effort there.

Senator LEAHY. Well, the implementation—that's not a one-size-fits-all thing. I mean, the implementation might be different in Southern Africa than it might be in the Middle East. It might be——

#### SAFE DRINKING WATER—APPLICATION OF TECHNOLOGY AND ENTREPRENEURSHIP

Dr. SHAH. Absolutely. And in fact, this is an area where our new focus on science and technology, which frankly is not new for the Agency—this was an agency that did a lot of work in science and technology decades ago—but our new focus there has real potential and real promise.

I have just recently reviewed a series of clean water purification strategies that would lower the costs of some of our programs significantly if we could validate and get those technologies out there—everything from a low-cost ceramic filter that can be locally developed, to UV water purification systems where local communities can install them and they can be self-sustaining over time.

And I think you, in our prior hearing highlighted an article about entrepreneurship in development. And this is an area in particular—since the poor tend to pay, frankly, more than the middle class pays per unit of clean drinking water in most developing countries—this is an area that's very ripe for the kind of entrepreneurship you've championed. And we took your guidance seriously and have developed a series of programs, like the Development Innovation Venture Fund and others, that we think will meet that gap and enable more experimentation, but also better outcomes at lower costs in this particular field.

Senator LEAHY. Thank you.

Senator Johnson.

Senator TIM JOHNSON. Thank you again, Mr. Chairman.

I'd first like to say, I believe the United States on the whole has a very positive impact on the world. We're extremely compassionate people, so the purpose of the foreign aid is certainly, first of all, to help people in a very meaningful way hopefully to have very long-term consequences on their countries and on their lives.

#### PROMOTION OF AMERICAN IMAGE THROUGH USAID EFFORTS

I think the question I have is, you know, it's, definitely a secondary purpose, though, of U.S. foreign aid is so the United States gets credit for it—so it enhances our reputation; so that people around the world think kindly of the compassion that the American people share with them. So, I mean, we spend \$24 billion a year through your agency. That doesn't even count the amount of money we spend through our military help when disaster strikes.

So I guess that's the first question I have, is, what are we doing within your Agency to make sure that we do obtain maximum credit for what our efforts are, and for, really, the sacrifice the American people are making in providing that foreign aid?

Dr. SHAH. Well, you know, we believe that that secondary purpose is important. And we need to be focused on how to make that



real, as a realized benefit of our investments abroad. Sometimes the strategy prioritizes branding and clear visibility for specific projects, commodities, individuals that are part of large-scale relief efforts—most notably after, for example, the Pakistan floods where we saw, because of a very strong United States response where we were the first partner with the most capability, but also a real spirit of history and partnership with the Pakistani relief agencies, that we actually saw significant increase in the Pakistani people's appreciation for the United States Government role there. And so we understand that and take that seriously.

I personally believe that a big part of what will ultimately garner the credit that we seek is the sincerity and the way in which we conduct the work. And that is why we've taken the Secretary's guidance, the President's guidance to be good partners pursuing mutual accountability far more seriously. And, you know, just around the world in our projects and programs, we're consulting with heads of state, we're consulting with local communities, we're consulting with small-scale farmers and local civil society organizations.

That sometimes slows down the implementation of programs. But, frankly, it helps us build the kind of partnership, and helps us learn in a way that improves, I think, the effectiveness of those programs and the sustainability over time of those efforts. So in general, that's a trade-off we've been willing to make in order to get a better outcome over time. And I think where we've done that, the feedback I've gotten, certainly, has been that that has been appreciated and that people see this as a different way of working that is something that garners us more recognition and more value.

#### LONG-TERM GOALS OF FOREIGN AID

And then the final thing I'd say is, I think you get more credit by taking on big things and leaving benefits that are lasting that people can point to. South Asia certainly remembers that the United States was the primary partner in the Green Revolution, helped build universities and train hundreds, if not thousands, of fellows and technical experts, and build those rich university partnerships with the United States.

We're re-casting ourselves, and doing that again in the context of our Feed the Future program, so that we can leave the kind of human capital and local leadership that can sustain over time and have all of these really capable, well-educated technical leaders that can say they were the beneficiaries of concrete U.S. investments. And that's something that we've have more focused on—especially in areas like food and health, but also in terms of our science and technology partnerships with a number of countries around the world. So, to me that's how you sort of live out good practice, and then get credit and attribution for those felt behaviors.

Senator TIM JOHNSON. I would just encourage you to make that a priority, because I think from the American people's standpoint probably their greatest frustration—in addition to the fact that it's getting more and more difficult to afford this—but, the fact that we're not liked very well around the world, even though we expend so much money trying to help people out.

So—and speaking of frustration, let me have that be my final question here, is, you’ve been on the job now for 15 months. I mean, what’s your greatest frustration trying to work within USAID to accomplish your objective?

Senator LEAHY. Now, here’s your chance to give a very straightforward question—or, very straightforward answer. It may get you fired, but go ahead. Let loose.

Dr. SHAH. Can I give you two?

Senator TIM JOHNSON. It’s on your nickel here.

Dr. SHAH. Well——

Senator TIM JOHNSON. What I want you to be is honest.

#### COMPLEXITY OF PROCUREMENT SYSTEMS

Dr. SHAH. Well, personally, I’ve found, the two frustrations I’ve found are—the procurement system and the way it operates I think is far more complex than it needs to be. And at first, I thought, well that’s about efficiency, so one of those business process reviews generated this report that is our game plan for cutting our procurement cycle time by almost one-half. And they’re all actions that we can take without congressional activity, et cetera.

But what I realized over time is the complexity of the system doesn’t cost more and lengthens the time from idea to action, and therefore impact. It actually pushes off some of the most creative and innovative partners—whether they are large businesses, or small entrepreneurs, or local NGOs, or government ministries—that, we really should be thinking about how we’re building capacity so that we can achieve the President’s goal of leaving a vibrant civil society, effective private sector, and real capable local governments, and we have, over time, an exit strategy.

So I realize it’s a much more fundamental thing than procurement reform—and I almost regret that I called it “procurement reform”, because it’s really about how we deliver assistance and how partners around the world that either work with us or don’t, feel who we are, what we value, what we care about.

Our teams have made some real progress and done some really courageous things to create new procurement tools that are more like results-based payment systems for small grants and small projects, as opposed to the kind of, do a big contract and then count every single process input, which costs a huge amount of money and doesn’t tell you if you’re necessarily getting the result you seek.

So I think the reform of our procurement system to me has been probably the most exciting opportunity born out of the greatest frustration.

#### HUMAN RESOURCE MISMANAGEMENT AND CREATION OF INCENTIVES FOR INNOVATION

On the second thing I would just say—and this might get me fired—it’s just, the way human resources are managed in the Federal Government is a very complex, challenging issue. And you really want to reward performance; you want to reward people who’ve taken real risks. We have really innovative leaders who’ve gone out to Afghanistan, who’ve gone to Haiti and, in very difficult environments, have done very creative things. And we’re trying to

come up with ways to recognize that kind of leadership and reward it and to incentivize that kind of leadership in our junior officers—who frankly bring a lot of their own creative non-Government experience to the task. And I've worked hard to create systems that get them more exposure and more ability to connect their ideas to impact.

But those are two things that I find challenging, but also as big fundamental opportunities. And I thank our teams in those areas for time and again coming up with creative solutions to help us do some of the more innovative things we've done. For example, we just launched this great partnership called Saving Lives at Birth with five other partners, where for every \$1 we spend, we get \$3 of theirs, and we're really targeting the 1.6 million women and children who die either during childbirth or in the first 48 hours. And it's going to be a fantastic lifesaving effort at very low cost. And our procurement and general counsel and acquisition teams came up with creative solutions to allow us to do that. So, we've just got to keep working at it and we'll stay very focused on that.

Senator TIM JOHNSON. Well, I've been here a little more than 3 months—that's a pretty common theme. You're not—unfortunately you're not alone in your frustration.

Thank you, Mr. Chairman.

Senator LEAHY. Thank you.

#### SMALL-SCALE IMPACT OF AMERICAN AID EFFORTS

Certainly, Senator Johnson raises a question about whether we're liked or not liked. I was struck by what you're saying about things that people can really see, and sometimes it's a small thing. I complimented you earlier on one that did that will have a real impact. You worked with the Smithsonian to save some treasured murals, which they thought were lost when one of the cathedrals collapsed in Haiti. These will be—that's part of their patrimony. It's a relatively small amount of money, but a generation from now people will still talk about the fact the Americans saved it.

When I was first in the Senate, 30 years after World War II was over, and going through Europe and elsewhere, and having people come up and say, "You know, the Americans came in and they helped us plant gardens, they did—I mean, some were spectacular things like the Berlin airlift, but others were smaller ways of helping us." This is in countries that we had fought against. And now these are the same people whose sons and daughters are in the government and we have to work with, and who created a NATO alliance that eventually saw the collapse of the Warsaw Pact.

Sometimes its small things. You don't necessarily get your return that year, or 20 years, or 30 years. But it's like Fulbright scholarships. I find so many times in other parts of the world, you find that the finance minister, or the deputy defense minister, or others had studied, or members of their families had studied here, and they have personal ties.

I know there have been several times recently in some very tough spots in the world—and you can imagine which they are—where people here in the United States were having private conversations with either their counterparts, or others in these coun-

tries, lowering the tension because of the exchange programs that we've done.

#### IMPORTANCE OF SMALL PROPOSALS

I'll finish with this on the small issues. One complaint I get about USAID is that an individual, or a small organization may have a very creative, unsolicited proposal. It comes in, and USAID looks at it, redesigns it, requests more proposals, and bigger contractors come in. The big contractor comes in, "Oh, yes, you wanted to do a whiz bang 1, but I can do a whiz bang 5, which is 10 percent better—it's going to cost you 300 percent more and take longer to implement", and so on.

And we talked about the War Victims Fund with prosthetics and all. They wisely kept that small, using local materials, not going to people who make the \$300,000 prosthetics, but something that could be made locally, and it worked.

President George H.W. Bush had wanted to do something in Vietnam, and he had asked me about using it there. We worked it through an NGO—the Vietnam Veterans of America Foundation. And I'll just tell one story that's always stuck with me. My wife and I, John Glenn and his wife, and a couple of others went outside Saigon to where they were building prosthetics and wheelchairs. Not buying them, but building them there, hiring the people. You'd pay a couple thousand dollars for a wheelchair in a hospital but here they were making them probably for under \$100.

The thing that struck me, there was a small man, he had lost his legs and had been crawling for decades. He was sitting there and he was going to get one of the wheelchairs. And he just stared at me as they explained the Leahy War Victims Fund and so on—and I remember going back and telling President Bush about this after. When they finished the speeches, they asked me to pick him up and carry him to his wheelchair. He just stared at me. And I thought he must hate me—my size, everything else, an American. I picked him up. I carried him to the wheelchair. I put him down in it. I was wearing an open-necked shirt. I started to get up. He grabbed my shirt, pulled me down and kissed me.

You know, there are things that can be done, that can make a difference.

#### ADDITIONAL COMMITTEE QUESTIONS

So look at those small proposals. This was one of them. If you or I lost a leg, it would be a bad thing, but we'd go and our insurance company would pay part of it, and they'd say, "Well, you know, a couple thousand dollars more and you can get even a better one." We'd take out our checkbook and pay for it.

Here, we're talking about people with a few hundred dollars a year in income. Let's do the things that work, because that builds respect for our country. But more than just building respect—let's be altruistic. We're the wealthiest, most powerful nation on earth. We have certain moral responsibilities and we sometimes forget about that.

Dr. Shah, thank you very much for being here.

Dr. SHAH. Thank you.

[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 DANIEL K. INOUE

AFGHANISTAN

*Question.* It is my understanding that the Karzai government's threat to impose back taxes on private security firms has many of those contractors threatening to withdraw from Afghanistan. I am concerned by reports from aid workers in the country about observed empirical increases in the number of kidnappings in areas like Kabul. Could you please explain what U.S. Agency for International Development (USAID) is doing to ensure the safety of foreign and Afghan locals working on development projects? Also, would you please explain what steps, if any, are being taken by USAID in conjunction with the Department of State to address the matter of alleged criminal involvement by Afghan Government officials?

*Answer.* Over the first 5 months of calendar year 2011, there has been an average of 30 security incidents per month involving USAID implementing partners, making 2011, to date, the second most active year since 2003 when incidents were first collected. During calendar year 2010, the monthly security incidents involving USAID implementing partners almost doubled from 2009, to 57 from 29, respectively.

With the increase of attacks, USAID has taken steps to improve the security of our implementing partners. Our goal is to provide rapid and accurate security assistance information to implementing partners, improve the ability of United States Government and International Security Assistance Force (ISAF) personnel to respond effectively to emergency situations, and raise the confidence and preparedness of implementing partners so they can continue to operate in higher-risk environments.

USAID issued a data call, and our security unit is now maintaining a database of approximately 250 implementing partner locations throughout Afghanistan to facilitate communication. We have placed a Regional Security Safety Officer (RSSO) in RC-South, and are in the process of assigning RSSOs to the other regional commands. These officers will help coordinate with ISAF/USFOR-A and partners at the field level to improve responsiveness to implementing partner requests for assistance. On May 9, 2011 Mission Director Earl Gast issued a mission order, establishing a Vetting Support Unit that will screen non-U.S. parties, and will actively engage with the Afghan Finance Threat Cell and CENTCOM vetting systems. This system will help us identify potential malignant actors, and prevent them from gaining access to USAID assets.

*Question.* I commend you for your efforts to reform USAID's business processes and systems. Implementing reforms and a change in culture is always a challenging endeavor. What is your vision for, and where do you hope to see, USAID in 5 years?

*Answer.* My vision is that USAID will be among the world's premier development agencies playing a critical role in our Nation's prosperity and security as we contribute to a more secure and prosperous world for all. I recognize this is a broad goal and, as always, success is in the details. Here is how we will move forward on those details in the next 5 years:

- We will hire and retain the most talented foreign service officers, training them to work in a world that presents new challenges and demands the best from all of us.
- We will focus on investing in sustainable solutions including strengthening host country systems and local institutions so that the U.S. taxpayer reaps the benefits of countries that are excellent trading partners and allies.
- We recognize that development has become a high priority for many small and large companies, philanthropists, and nongovernmental organizations. We will broaden and deepen our partnerships with them, leveraging their expertise and financial resources to drive the most cost effective and sustainable results for our foreign policy objectives.
- We will work seamlessly with all United States Government agencies deployed abroad as the principal voice for the importance of development as a way to demonstrate our values and support the growing number of emerging democracies and markets.
- We will report regularly and transparently on the results we achieve, dollar for dollar, and talk openly about those failures or shortfalls that we must learn from and remedy. To achieve this ambitious goal, we will streamline our reporting systems to make them more understandable to the lay person whose tax dollars support our efforts abroad.

—And last but not least, we will be recognized for our cutting-edge activities and tools that mobilize the best solutions the United States can bring to the world in solving problems such as fragile democratic governments, malnutrition, illiteracy, endemic illness, climate change, as well as other challenges.

#### PACIFIC BASIN

*Question.* The Pacific Basin, particularly countries in the Western Pacific were cited as an area that the United States would like to re-engage in a meaningful way. The Western Pacific is of significant strategic importance to the United States in a manner that may have been forgotten toward the end of the cold war.

From a national security point of view the Western Pacific is a counterbalance to China's growing influence in the region particularly with respect to sea lane access. With the emphasis on leveraging both hard power, force projection by the Department of Defense (DOD), and soft power, diplomatic and foreign assistance, please elaborate on plans, if any, for USAID activities in this area of the Pacific.

*Answer.* USAID plans to open an office in Port Moresby, Papua New Guinea in 2011 under the authority of USAID's mission in Manila, Philippines to oversee programs in the Pacific region.

One program-funded staff will manage USAID's regional environmental programs and the HIV/AIDS program in Papua New Guinea.

USAID programs in the Pacific are regionally focused, but target Western Pacific countries, including Papua New Guinea, Republic of the Marshall Islands, Federated States of Micronesia, Kiribati, Samoa, Solomon Islands, Fiji, and Tonga.

Environmental degradation threatens the existence of some Pacific island-nations and is the top priority for the region in this century. USAID's environmental programs will mitigate the effects of weather-related disasters, support climate change adaptation strategies, reduce greenhouse gas emissions and protect tropical forests in the Pacific islands.

USAID funding will also develop the technical capacity and coordination of two key regional organizations: the Secretariat of the Pacific Community and the Pacific Regional Environmental Program.

Papua New Guinea is the most populous country in the South Pacific and has the highest rate of HIV/AIDS in East Asia and the Pacific. USAID's HIV/AIDS programming will strengthen Papua New Guinea's health system, promote awareness and prevention activities, and provide treatment for HIV-positive individuals.

#### COORDINATION

*Question.* I truly appreciate your initiative and efforts to ensure me and my staff are kept informed of USAID's activities following the devastating earthquake and tsunami in Japan. As the lead agency on coordination of the U.S. response to international disaster assistance, I am curious to learn your thoughts on how that coordination went in the immediate aftermath. In addition, I am interested to find out how you believe coordination may be improved, and any lessons learned from Haiti and Japan.

*Answer.* The U.S. Government response to the recent earthquake and tsunami in Japan required immediate and close coordination between United States Government agencies and the Government of Japan. The United States typically would not be requested to assist in a country with significant domestic response capacity. The magnitude and nature of the disaster in Japan (earthquake, tsunami, and nuclear crisis), coupled with the United States Government's unique capabilities, led to a robust, well-coordinated multi-agency response tailored to the unique circumstances presented by this crisis.

Just more than 1 hour after the earthquake struck, USAID's Office of Foreign Disaster Assistance (USAID/OFDA) activated a Response Management Team (RMT) in Washington, DC, and two Urban Search and Rescue Teams and a Disaster Assistance Response Team (DART) for deployment to Japan to coordinate the response efforts. At the same time as the United States Government and the Government of Japan were focused on the immediate lifesaving response, the potential nuclear disaster quickly became a main focus. USAID augmented the DART and RMT with experts from the U.S. Nuclear Regulatory Commission (NRC), the U.S. Department of Energy (DOE) and the U.S. Department of Health and Human Services (HHS) Federal Occupational Health to provide urgent technical assistance. The DART, including the team of nuclear experts, coordinated daily with their counterparts in the Japanese Government.

In addition to coordinating the nuclear issues, USAID's DART conducted assessments and worked to ensure that essential relief items reached those most in need. This required coordination between the Government of Japan, USAID and the DOD.

While most of the supplies for the relief effort were already in the country, there were logistical problems in transporting relief supplies due to fuel shortages and damaged roads. The DART, which included three USAID military liaison officers, utilized the Mission Tasking Matrix system to confirm humanitarian needs and requests, identify organizations that had supplies to transport and task DOD with transport of goods utilizing their extensive lift capacity in the region. The speed and efficiency of this coordination was essential not only to ensure that needed supplies quickly reached affected areas, but also to avoid a flood of well-intended, but poorly coordinated material aid from outside Japan, which would have overwhelmed an already strained transport system in the early days of the response.

Very early in the response, multiple Japanese ministries requested support from numerous United States Government entities on an ad hoc basis, which created a risk that urgent requests for relief or technical assistance could be missed and not reach those most in need. USAID met daily with DOD, DOE, HHS, NRC and other agencies, as well as the Government of Japan, to share information and reinforce the DART as the central coordinating body through which all requests to the United States Government were evaluated. The DART also worked with the Embassy to establish a single point of contact to receive requests from the Government of Japan.

As assistance to the earthquake, tsunami, and nuclear events transitioned from emergency response to the current phase, USAID collaborated with the United States Embassy in Tokyo to form the Bilateral Assistance Coordination Cell (BACC), the current United States Government focal point for receiving, vetting, and responding to the Government of Japan requests for continued technical assistance to respond to the nuclear issues. The BACC systematized the coordination of the response to the Fukushima Daiichi nuclear power plant crisis through the formation of technically oriented working groups, such as radiation monitoring, data sharing, stabilization of the reactors, and broader strategy for joint nuclear response. These groups meet regularly with the Government of Japan counterparts. The meetings occur at the political, working, and technical levels to coordinate the nuclear response activities. The United States Government has provided the Government of Japan with data and specialized monitoring equipment and training that demonstrate our ongoing commitment to Japan and provide the United States Embassy continued access to critical monitoring data with potential implications for the people of Japan, including United States citizens.

As seen in the response to the earthquake in Haiti, the United States Government responses to significant disaster events are increasingly interagency in nature. The United States Government learned from the Haiti response that we must develop a flexible and clearly articulated United States Government response strategy that assigns responsibilities to appropriate participating agencies based on the unique circumstances presented in a given crisis. The Japan response demonstrated the effectiveness of the interagency approach where host country requests and United States and international offers of assistance are channeled through a central coordinating body.

#### RESEARCH AND DEVELOPMENT PROGRAMS

*Question.* There are many people who may not know about USAID's research and development programs. I am curious to learn of USAID's current efforts in research and development, and where you hope to steer them in 5 years.

*Answer.* USAID has a strong history of transforming development through science and technology—from the successful use of oral rehydration therapies to the Green Revolution. As USAID expands and deepens its internal science and technology capabilities, the agency will support and expand technical expertise through access to analytical tools like Geospatial Information Systems (GIS). Over the next 5 years, the agency will continue to build science and technology capacity in developing countries through cooperative research grants, by improving access to scientific resources, by providing expanded opportunities for higher education and training, and by enabling entrepreneurs in the public and civil sectors to use technology to reach rural populations that have previously been difficult to reach. Several key efforts are outlined below.

An investment in agricultural research today contributes to the growth and resilience of the food supply tomorrow. USAID's Feed the Future initiative is launching an agricultural research strategy this summer that will focus on ways to improve long-term yields, transform production systems, and enhance nutrition and food security. Combined with other agricultural investments, improved technologies and practices will help feed an ever growing global population despite depleted land availability, threatened water supplies, and a highly unpredictable climate.

USAID's Grand Challenges for Development (GCD) provide a framework to focus the agency—and development community—on solvable problems with key scientific and technical barriers to their solution. This is a multi-year approach that incorporates and encourages innovative science and technology-based answers to both newly emerging and age-old questions. USAID issued the first Grand Challenge for Development in Global Health—"Saving Lives at Birth", which was launched on March 9, 2011, in partnership with a host of other bilateral and multilateral donors. More information on the Grand Challenges can be found at: <http://www.savinglivesatbirth.net/>. Over the next several years, USAID will expand GCD, leveraging the resources of other development partners around other solvable development challenges.

Through the Partnerships for Enhanced Engagement in Research (PEER) program, USAID will provide grants to developing country researchers collaborating with NSF-funded researchers in the United States. Funds will help equip laboratories, provide stipends for graduate students, and support training and other activities associated with research. Projects will focus on topics of interest to USAID, such as food security, water, biodiversity, and climate change adaptation. The program intends to build relationships between researchers and institutions that will endure over time. This program will leverage more than \$100 million of NSF research funding in developing countries.

USAID assesses health conditions in developing countries and develops, tests, adapts, and introduces appropriate products and interventions within the context of strengthening local health systems. Key highlights of USAID's current health research and development activities include:

- Support for the Center for the AIDS Program of Research in South Africa, which in 2010 provided the first proof of concept that a microbicide could safely and effectively reduce the risk of heterosexual transmission of HIV from men to women.
- The USAID-supported International AIDS Vaccine Initiative study which provided the first evidence that a new vaccine technique could effectively control viral replication in vaccinated animals.
- The development of new antimalarial drugs, and their subsequent submission for regulatory approval.
- Support for research that improves, reduces costs, and speeds up diagnostics for tuberculosis.
- Support for a clinical trial of a female-controlled, long-acting contraceptive that does not require daily attention from women or the availability of trained health providers.
- Research on the most effective lifesaving postnatal practices in 40 high-mortality countries.
- Studies that demonstrated the effectiveness, cost-effectiveness, and feasibility of community-based care in promoting neonatal health and survival.
- Applied research to increase the availability and uptake of oral rehydration solution treatment to reduce diarrhea-related morbidity and mortality in more than one dozen countries.
- Studies on the effectiveness of community-based treatment of severe pneumonia in Pakistan.
- The establishment and strengthening of surveillance systems to sample and test the quality of medicines throughout the world.

---

QUESTION SUBMITTED BY SENATOR RICHARD J. DURBIN

HAITI REFORESTATION—SUPPLEMENTAL

*Question.* Last year's supplemental appropriation included \$25 million specifically for reforestation in Haiti. However, it appears that such funds may instead be being used by United States Agency for International Development (USAID) for loosely defined reforestation programs that do not include the actual long-term replanting of sustainable trees. Can you please elaborate on how USAID is using these specific supplemental Haiti reforestation funds, including how much of the \$25 million is being spent on the actual replanting of sustainable tree cover?

*Answer.* USAID shares your concern about deforestation, and we are committed to an appropriate and sustainable natural resources management program. Through the use of funds provided in the fiscal year 2010 supplemental appropriation, we plan to address the underlying causes of deforestation:

- acute poverty;
- rapid population growth; and



—unplanned urbanization.

USAID has learned from experience in Haiti that classic reforestation approaches are not effective. When planted trees provide little or no economic incentive to farmers they are typically replaced with a crop that does. In Haiti, successful reforestation has occurred where hillside farming is replaced by tree crops or improved pasture that provide income while improving soil conservation and controlling erosion.

USAID-funded projects have in recent years increased tree crop cover by planting high-value trees, such as mango, cacao, coffee, and avocado. For example, a USAID initiative, known as the Watershed Initiative for National Natural Environmental Resource (WINNER), has expanded perennial cover on hillsides to reduce erosion and improve soil conservation, while promoting alternative energy sources to lower the demand for charcoal and fuel wood. During fiscal year 2010, the first full year of operations, WINNER planted about 1 million trees, of which 30 percent were fruit trees and 70 percent were multi-purpose trees.

Reforestation programs funded by the fiscal year 2010 supplemental appropriation will contribute over the long term to replanting sustainable trees for mango and cacao in Haiti by using a value-based approach that strengthens tree crop value chains and assists in producing seedling stock.

USAID anticipates that at least 50 percent, or \$12.5 million, of the \$25 million in natural resources management funds provided by the supplemental appropriation will support activities related to tree planting, including agro-forestry, reforestation, shade-grown cacao, and mango, and other related programs designed to increase forest cover.

---

#### QUESTIONS SUBMITTED BY SENATOR MARK KIRK

##### NINEVAH PLAINS REGION

*Question.* The U.S. Congress has appropriated around \$30 million since fiscal year 2008 to assist vulnerable religious communities in Iraq, especially in the Nineveh Plains region. As you may know, last November, a bipartisan group of Members of Congress and Senators requested that the Government Accountability Office (GAO) conduct an audit of these funds, following concerns from community leaders that the funds designated by the Congress have either not reached their intended recipients or they were unaware of funding and grant opportunities. How have United States Agency for International Development (USAID) efforts to date been successful in reaching the objectives set out by the Congress to assist vulnerable communities in the Nineveh Plains in a transparent and effective manner? Has USAID engaged directly with these minority groups in rendering decisions on relevant grants and their recipients?

*Answer.* USAID has posted a representative at the Provincial Reconstruction Team (PRT) in Mosul and in Erbil since 2007 and will have a representative at the consulate in Erbil who will provide coverage for Ninevah after the PRTs close down at the end of June 2011. USAID PRT representatives meet with Iraqi counterparts and beneficiaries whenever possible and work through our implementing partners to ensure effective assistance to all Iraqi beneficiaries including ethnic and religious minorities and other vulnerable populations. The Iraq Rapid Assistance Program (IRAP) which was completed in September 2010 provided grants to local Iraqi non-governmental organizations implementing community development programs including in Ninevah. The process of grant making included formal explanations to organizations whose proposals were turned down.

##### FISCAL YEAR 2008 BASE DIRECTIVE

The Congress inserted its first \$10 million funding directive for Iraq's religious and ethnic minorities in the fiscal year 2008 base appropriations. USAID/Iraq agreed to meet this directive through existing programs. These included:

- the Community Stabilization Program (CSP);
- Community Action Program (CAP);
- Provincial Economic Growth (Tijara);
- Agribusiness (Inma); and
- the Iraq Conflict Mitigation Program.

The CSP worked to achieve economic and social stability in urban Iraqi communities. The CSP program helped meet the fiscal year 2008 base directive through activities that achieved:

- More than 51,900 long-term jobs;
- Disbursing grants that totaled \$78.6 million for nearly 10,300 businesses;
- Graduated nearly 41,500 Iraqis from vocational training courses;

—Created 9,930 apprenticeships; and  
 —Assisted 339,000 young people through sports and arts programs.  
 This project activity was focused in urban areas where religious and ethnic minorities coexisted.

CAP worked at the grassroots level to foster citizen involvement and assist local communities to clearly identify their priorities, develop local solutions, and use their skills to mobilize their resources to meet their needs. For the fiscal year 2008 base directive, CAP worked with religious and ethnic minority communities to improve health and education, small-scale infrastructure, and income generation through local apprenticeships in local communities where religious and ethnic minorities exist.

The Provincial Economic Growth (Tijara) program supported the directive and continues to provide loan capital through microfinance institutions, as well as training and technical assistance which benefit all Iraqis, including ethnic and religious minorities. Previously, the Al-Tadhamun institution in Northern Iraq dedicated funds to ethnic and religious minorities from a \$2 million grant. USAID helped Al-Tadhamun establish its office and recruit its staff and board of directors.

USAID/Iraq's Agribusiness Program (Inma) worked to increase the competitiveness and profitability of the Iraqi agricultural sector by raising productivity and lowering costs. Some 175 members of the minority community living near the Bartilla and Al-Qosh feedlots in Northern Iraq benefited from training in record keeping, animal health and selection, red meat production, and ruminant nutrition.

Through USAID Inma's microcredit initiative with Al-Thiqa in Northern Iraq, more than 562 people were trained to provide additional credit for minority borrowers. Some 240 people were trained in hay and alfalfa production at the Elya forge production facility in Ninawa Province. Other minority groups were trained in olive oil production and marketing by the Zayton Olive Association in Northern Iraq.

The Iraq Community-based Conflict Mitigation Program (ICCM) focused on assessing local communities throughout Iraq where conflict existed and then worked with the community on projects that would help mitigate tensions.

In fiscal year 2008, ICCM completed conflict assessments in Bartilla and Tal Kayf communities where religious and ethnic minorities were under pressure. Based on the assessments' results, ICCM designed projects to mitigate the primary conflict factors in these and other communities, with a special focus on youth programs which helped to create tolerance in the community for all religious groups.

USAID continues to track funding for this directive through the CAP. As of May 2010, USAID has tracked more than \$17 million in funding to the fiscal year 2008 base appropriations directive, which is \$7 million more than the requirement.

USAID program	Funding
Community Stabilization Program .....	\$2,500,000
Community Action Program II .....	2,000,000
Community Action Program III .....	7,063,072
Provincial Economic Growth—Tijara .....	2,000,000
Agribusiness—Inma .....	3,115,000
Community-based Conflict Mitigation .....	500,000
<b>Total .....</b>	<b>17,178,072</b>

#### FISCAL YEAR 2008 SUPPLEMENTAL DIRECTIVE

The Congress inserted an additional \$10 million directive for Iraq's religious/ethnic minorities in the fiscal year 2008 supplemental appropriations bill. The Department of State and USAID agreed to support this directive together. The Department of State and USAID met the fiscal year 2008 supplemental directive of \$10 million for religious and ethnic minorities by programming through the Provincial Reconstruction Teams' (PRT) Quick Response Fund (QRF)/Iraq Rapid Assistance Program (IRAP). The remainder of the directive was fulfilled through the U.S. Office for Foreign Disaster Assistance (USAID/OFDA) and through USAID's Civil Society and Conflict Mitigation program.

USAID's IRAP program supported economic and social development programs and civil society conflict-mitigation efforts country-wide through regional centers. IRAP assistance to Iraqi minorities focused on the Ninawa Plain which is home to many minority groups including the Shabaks, Turkmen, Christians, and Yazidis.

IRAP support included the establishment of water networks, road repairs, school buildings, microfinance programs, income generation initiatives, health awareness, and agricultural support for minority farmers. Examples of assistance include:

- water network projects in Tal Keif and Tal Usqof districts of Ninawa;
- primary schools in predominantly Christian, Turkmen, and Shabak communities; and
- the restoration of a destroyed Shabak village in Ninawa Province.

Since 2003, USAID's OFDA has provided humanitarian assistance throughout Iraq, mainly supporting conflict affected Internally Displaced Persons (IDPs) and other vulnerable populations with disaster relief. In fiscal year 2009, USAID/OFDA in the Northern Iraq districts of Tal Kayf and Hamdanya, distributed nonfood items (blankets, etc.), food items and hygiene kits to about 2,000 Iraqi minority families.

USAID's Civil Society and Conflict Mitigation (CSCM) program helped provide grants to minority communities for conflict mitigation projects such as providing human rights and rule of law education, community-building activities focusing on religious tolerance, and promoting religious tolerance through youth activities in minority communities.

USAID program	Funding
Iraq Rapid Assistance Program .....	\$8,367,329
Civil Society and Conflict Mitigation .....	314,032
U.S. Office of Foreign Disaster Assistance .....	629,000
Total .....	9,310,361

#### FISCAL YEAR 2010

In the fiscal year 2010 base appropriations the Congress again inserted a \$10 million directive for Iraq's religious/ethnic minorities:

The Department of State is planning to meet this \$10 million directive through its QRF program. The PRT in Ninawa is working with local minority community organizations to develop project proposals for funding.

#### FISCAL YEAR 2011

USAID/Iraq continues to assist communities where religious and ethnic minorities exist through the Community Action Program III (CAP). As mentioned earlier, the CAP program works with local communities to help identify needs and build their capacity by working with their local councils. In Ninawa and Kirkuk, the CAP program continues to work with local communities on small-scale infrastructure projects such as educational facilities and other public spaces, improving health, water and electricity services, and apprenticeships that offer income-generation skills.

In addition, USAID's new Access to Justice Program will assist Iraq's religious and ethnic minorities. The Access to Justice program will assist professional legal associations, nongovernmental organizations (NGOs) offering legal assistance, civic education and advocacy, law schools and government institutions improve their support and services to vulnerable and disadvantaged Iraqis, including women, widows, orphans, religious and ethnic minorities, the impoverished, internally displaced people and refugees, detainees, and the incarcerated (including juveniles).

In November and December 2010, OFDA assisted 331 of 762 Christian families displaced from Baghdad and Mosul with nonfood relief items including blankets, stoves, mattresses, and kitchen sets. OFDA assisted 143 families in Ninawa, 80 families in Erbil, 59 families in Sulaymaniyah, and 49 families in Dahuk.

#### NAGORNO-KARABAKH

*Question.* As you know, Nagorno-Karabakh continues to face serious humanitarian and economic development challenges. Since 1998, USAID has spent \$35 billion in assistance to Nagorno-Karabakh to address these challenges, which represents around 60 percent of what the U.S. Congress has authorized you to spend over this period. What are the notable achievements of USAID efforts to aid Nagorno-Karabakh since 1998? Does the discrepancy between the amounts authorized and spent represent that USAID efforts have been able to "do more with less"? If not, how can the U.S. Government more effectively aid the people of Nagorno-Karabakh?

*Answer.* Since 1998, the United States has provided more than \$35 million in humanitarian assistance to victims of the Nagorno-Karabakh (NK) conflict, including

food, shelter, emergency and medical supplies, access to quality healthcare and water, and demining projects.

United States Government assistance in Nagorno-Karabakh has achieved notable impact in targeted areas of support.

*Health.*—108 health facilities were renovated and supplied with basic medicine, equipment, and furniture, including 5 Regional Maternity Houses; training was provided to medical professionals throughout Nagorno-Karabakh; and mobile medical teams visited 16 communities to provide basic health services benefiting 6,200 people.

*Infrastructure/Shelter.*—1,533 shelters, 3 community centers, and 5 schools were renovated.

*Microfinance.*—More than 3,000 women received loans to support subsistence agriculture.

*In Water.*—60 potable water systems were renovated and upgraded, including 4 irrigation canals. Currently, the United States Government is supporting a new potable water project that is helping to expand access to clean water in the city of Stepanakert.

*Demining.*—The ongoing demining activity has resulted in the clearance of 72 percent of the battle area and 93 percent of anti-personnel and anti-tank mines, returning lands to the rural population for agricultural use.

Programs in Nagorno-Karabakh are funded through a Eurasia Regional budget line within the overall Assistance to Europe, Eurasia and Central Asia (AEECA) account; this budget line funds a number of other regional priorities, including the U.S. contribution to the Organization of Security and Cooperation in Europe. Since 2001, there has been more than a 60 percent decline in the overall AEECA account, as well as a sharp decline in the Eurasia regional budget. Despite the budget decreases and competing priorities, the level of U.S. support to Nagorno-Karabakh has remained constant, and the programs continued to achieve notable accomplishments during that period as noted above.

#### CONCLUSION OF HEARINGS

Senator LEAHY. Without anything further, we'll stand in recess.

[Whereupon, at 11:26 a.m., Tuesday, April 12, the hearings were concluded, and the subcommittee was recessed, to reconvene subject to the call of the Chair.]

## LIST OF WITNESSES, COMMUNICATIONS, AND PREPARED STATEMENTS

	Page
Blunt, Senator Roy, U.S. Senator From Missouri, Prepared Statement of .....	60
Clinton, Hon. Hillary Rodham, Secretary, Department of State .....	1
Summary Statement of .....	5
Durbin, Senator Richard J., U.S. Senator From Illinois, Questions Submitted by.....	56, 92
Graham, Senator Lindsey, U.S. Senator From South Carolina .....	4
Inouye, Senator Daniel K., U.S. Senator From Hawaii, Questions Submitted by.....	49, 89
Kirk, Senator Mark, U.S. Senator From Illinois .....	61
Questions Submitted by .....	93
Leahy, Senator Patrick J., U.S. Senator From Vermont .....	1, 59
Prepared Statement of .....	3
Questions Submitted by .....	37
Mikulski, Senator Barbara A., U.S. Senator From California, Question Sub- mitted by .....	55
Shah, Dr. Rajiv, Administrator, U.S. Agency For International Develop- ment .....	59
Prepared Statement of .....	64
Summary Statement of .....	62



# SUBJECT INDEX

## DEPARTMENT OF STATE

### SECRETARY OF STATE

	Page
Additional Committee Questions .....	36
Budget Issues .....	21
Conflict Stabilization Operations .....	49
Diplomatic Security—Oversight for WPS Contract .....	47
Egypt .....	45
Foreign Aid .....	34
Gaddafi Connection to Pan Am 103 .....	26
Increased Contract Management and Oversight .....	47
Infectious Disease .....	16
Information Initiative .....	29
INL Oversight Improvements .....	48
International Criminal Court .....	10
Iran .....	11
Sanctions .....	17
Joint Basing .....	14
Labor Rights .....	15
Leahy Amendment .....	9
MEPI .....	32
Muslim Brotherhood in Egypt .....	28
Oil From Canada .....	12
Open and Free Internet .....	11
Pirates vs. Trade .....	18
State Department Morale .....	20
The Quadrennial Diplomacy and Development Review and Contracting .....	46
Troop Withdrawal and State's Role .....	13
2008 vs. 2010 Core Budget Level .....	31
Women's Health .....	27

### U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT

Access to Safe Drinking Water .....	83
Additional Committee Questions .....	88
Afghanistan .....	89
Anticipating the Roll-out Date of the Pilot Program .....	73
Complexity of Procurement Systems .....	86
Consequences of Contract Violation .....	79
Coordination .....	90
Cutbacks in Foreign Aid .....	68
Efficiency and Effectiveness in Haiti .....	80
Examples of:	
Business—Corporate—Partnerships .....	69
Reforms USAID Has Undertaken .....	70
Fiscal Year:	
2008:	
Base Directive .....	93
Supplemental Directive .....	94
2011 .....	95
2010 .....	95
From the American People, for the American People .....	65
FTF and Food Security .....	75

	Page
Government in Haiti .....	81
Haiti Reforestation—Supplemental .....	92
Human Resource Mismanagement and Creation of Incentives for Innovation ..	86
Implementation of Afghanistan Programs—Goals and Challenges .....	82
Importance of Small Proposals .....	88
Long-term Goals of Foreign Aid .....	85
Monitoring Programs in Afghanistan .....	71
Nagorno-Karabakh .....	95
National Security and Jobs in the United States .....	68
Ninevah Plains Region .....	93
Oversight of Funding Reallocation .....	78
Pacific Basin .....	90
Partner Vetting System—Senator Kirk’s Inquiry .....	71
Partnerships for Future Conversation .....	76
Procurement Reforms and Monitoring .....	70
Programs to Aid Haitian Amputees .....	76
Promotion of American Image Through USAID Efforts .....	84
Reallocations of Funds and the Need for Efficiency .....	77
Reform .....	66
Research and Development Programs .....	91
Results .....	64
Safe Drinking Water—Application of Technology and Entrepreneurship .....	84
Small-scale Impact of American Aid Efforts .....	87
Spending Prioritization and Allocation of Funds .....	79
Sustainable Development and Afghanistan .....	82
The Impact of Budget Cuts on USAID’s Programs, Especially in Nicaragua ....	74
USAID’s:	
Approach to Contract Reform .....	81
PVS and Other Anti-terrorist Programs .....	72
Relief and Assistance Efforts in Haiti .....	76
Response to Budget Cuts .....	69