

**FOREIGN OPERATIONS, EXPORT FINANCING, AND
RELATED PROGRAMS APPROPRIATIONS FOR
FISCAL YEAR 2003**

HEARINGS

BEFORE A

SUBCOMMITTEE OF THE
COMMITTEE ON APPROPRIATIONS

UNITED STATES SENATE

ONE HUNDRED SEVENTH CONGRESS

SECOND SESSION

ON

H.R. 5410/S. 2779

AN ACT MAKING APPROPRIATIONS FOR FOREIGN OPERATIONS, EXPORT
FINANCING, AND RELATED PROGRAMS FOR THE FISCAL YEAR END-
ING SEPTEMBER 30, 2003, AND FOR OTHER PURPOSES

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

Printed for the use of the Committee on Appropriations



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**FOREIGN OPERATIONS, EXPORT FINANCING,
AND RELATED PROGRAMS APPROPRIATIONS
FOR FISCAL YEAR 2003**

TUESDAY, FEBRUARY 26, 2002

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

The subcommittee met at 10:20 a.m., in room SD-192, Dirksen Senate Office Building, Hon. Patrick J. Leahy (chairman) presiding.

Present: Senators Leahy, Durbin, Landrieu, and Bond.

AGENCY FOR INTERNATIONAL DEVELOPMENT

STATEMENT OF ANDREW S. NATSIOS, ADMINISTRATOR

OPENING STATEMENT OF SENATOR PATRICK J. LEAHY

Senator LEAHY. Good morning. I apologize for the delay, but we have been voting, and Senator McConnell is also tied up on the floor because of the next piece of legislation coming before the Senate. Obviously, I will keep the record open for any questions that Senator McConnell has, or any statement he wishes to make.

I do want to welcome USAID Administrator Natsios, who has the distinction of being our first witness at the first hearing of this subcommittee this year.

Mr. Natsios, who is here to testify about the administration's fiscal year 2003 budget request for USAID's programs, came to USAID after a successful career both inside and outside of Government. In a relatively short time, he has brought a very needed burst of energy and enthusiasm to the Agency. Mr. Natsios, I commend you for boosting morale the way you have. I am also pleased that you have given greater autonomy to USAID's field missions, which are among the Agency's greatest strengths.

But you also have to deal with some extremely difficult problems that have plagued USAID for decades. I know you are willing to tackle these problems that include a cumbersome, overburdened procurement system and dysfunctional personnel and financial management systems. Fixing these problems is not going to be easy, but we will help you.

Now, there are other serious challenges. One we often hear about is that proposals brought to USAID from private organizations, universities, and others from outside the Agency, including Members of Congress, too often receive only superficial consideration. People seeking funding for projects are often sent back and forth

between Washington headquarters and field missions, only to be told that a final decision has to be made at the other location. It's sort of like Major-Major in Catch-22. The major is out whenever he is in, and he is in whenever he is out.

I have often said that USAID's greatest asset is its employees, who are dedicated, hardworking professionals. But, no one has a monopoly on good ideas, and contracts should be awarded to those with the best projects, not just those who work the system the best.

I am also concerned the administration has decided to let go some of its most capable people in USAID's Legislative and Public Affairs Bureau. While they are political appointees, I would feel the same, regardless of who appointed them, because they have consistently acted in a professional and nonpartisan manner. They built solid relationships with both Republicans and Democrats and were outstanding advocates for USAID on Capitol Hill. By dismissing these experienced public servants, I think that the administration has probably hurt its ability to get what it wants from Congress.

I have read your statement, and I agree with a good deal of it. The whole statement, of course, will be put in the record, as I know you will want to summarize it.

While you make a convincing case for more funding for foreign assistance, the budget request itself falls far, far short. The \$7.3 billion you request for USAID's programs from the Foreign Ops Subcommittee represents only a modest increase over the fiscal year 2002 level. It is actually a decrease from last year if you factor in emergency spending.

This budget appears to reduce funding for programs to protect child and maternal health, combat infectious diseases like TB and malaria, and assist vulnerable children. That is not a budget worthy of a great Nation. I will give you one specific example. In your statement, you discuss USAID's Africa initiatives, but for education programs in sub-Saharan Africa, a continent of a billion people, many of whom are illiterate, you propose just \$22 million. That is only a few times more than we spend on education for Vermont's 100,000 students.

I have no doubt that you probably asked OMB for additional resources, and that USAID could put more resources to good use. I know there are tough choices that have to be made, but if the terrorist attacks of September 11 taught us anything, they taught us about our mistaken sense of invulnerability.

We should have learned that what happens in far-off places can have very terrible consequences for Americans here at home. Whether it is a terrorist attack on an American city, the proliferation of weapons of mass destruction, or the ravages of AIDS, our security is directly and indirectly linked to events and conditions around the globe. With the exception of the cost of deploying our Armed Forces, the international affairs budget is what we spend on programs to protect our national security outside our border.

Some may have asked a year or so ago whether illiteracy in Indonesia, Pakistan, or Afghanistan affects us here in the United States. Today, you don't hear that question being asked. People who are educated can earn money to feed their families and participate meaningfully in the political life of their country. In short,

these people are often among the greatest assets to efforts to promote peace and prosperity around the world.

Some of the organizations working on the front lines in these countries, as well as Senator McConnell and myself and others in Congress, have appealed for a lot more spending on foreign assistance to combat poverty and all the interrelated causes which include unchecked population growth, political and economic instability, corruption, destruction of the environment, drug trafficking, and terrorism. Year after year, regardless of which party is in the White House or whoever is in control of Congress, we do not provide the amounts of foreign aid that we should.

The President's budget provides only \$165 million for education for the world's 2 billion poorest children. The President's budget provides \$1.3 billion for health care for the world's poorest 3 billion people. That is barely half the amount we spend on health care for Vermont's 600,000 residents. This is not acceptable.

Year after year, this committee struggles to find a few more dollars to alleviate the suffering in refugee camps, which can be fertile grounds for recruiting terrorists. We argue about \$5 or \$10 million for micro credit to help the world's poorest families start businesses. We rob Peter to pay Paul to get a few more millions to vaccinate against measles, which needlessly kills 900,000 children each year. If anyone in this room is told that they could prevent a child from dying from measles by giving 20 cents or 30 cents, of course you would dig in your pockets and do it. That is, essentially, what we are asking for.

We debate about funding for family planning and reproductive health care every year, which in this year's budget request is less than we spent 6 years ago.

Despite this sorry situation, there is a ray of hope. Since September 11 a number of people, private citizens and a bipartisan cross-section of Members of Congress, have called for a new Marshall Plan to combat world poverty. I am pleased that 41 Senators, Republicans and Democrats, almost half the Senate, are now on record calling for an increase in foreign assistance funding.

We cannot pretend that spending one-half of 1 percent of our Federal budget to improve the lives of 3 billion of the world's poor is a serious response. It is beneath a great country like ours. It demeans us both in our own eyes and in the eyes of the rest of the world.

Political violence and terrorism do not occur in a vacuum. They are increasingly the result of religious and ethnic fanaticism that flourishes in countries plagued by misery and injustice. We are the richest, most powerful Nation on earth. We can make a number of different arguments for increasing foreign assistance.

We can say, it is for our national security. And, it is. The more that you improve democracy and economic well-being in nations around the world, the less chance we have of being involved in conflicts against these nations.

We can also say that it is a matter of protecting the public health of the United States, because every plague and virus is only an airplane trip away. So we can say increasing foreign aid is part of our health security.

But I think it is a lot more than that. How can we morally, as a Nation, stand up here and, year after year, provide such a piddling amount? I hear all these speeches. We pound our chest and say how wonderful we are, and by golly, we have got some good rhetoric on this issue. But one-half of 1 percent to help the poorest of the world, when we are blessed with the wealthiest Nation that history has ever known, is simply inadequate.

If President Bush today were to ask Congress and every American to support a tripling of our international affairs budget and explain why it is important to our national security and to combat international terrorism, there is no doubt in my mind that Congress would respond and give it to him, and the public would be supportive. The public understands this better, I think, than the administration and the Congress do.

We have got to work together. We have got to do far better.

I mean, how can you have children who year after year are condemned to blindness or to disease. Many of us in this room have children. We, as a simple matter of course, bring them to the doctor to get their shots for measles and various other things. But millions of children in the developing world never have that chance, and millions of children die as a result.

PREPARED STATEMENTS

We have received statements from Senator Mitch McConnell and Senator Tim Johnson that will be inserted in the record at this time.

[The statements follow:]

PREPARED STATEMENT OF SENATOR PATRICK J. LEAHY

Good morning. I want to welcome USAID Administrator Andrew Natsios, who has the distinction of being our first witness at the first hearing of this subcommittee this year.

Mr. Natsios, who is here to testify about the Administration's fiscal year 2003 budget request for USAID's programs, came to USAID after a successful career both inside and outside of government.

In a relatively short time, he has brought a much needed burst of energy and enthusiasm to the Agency, and boosted morale. He has given greater autonomy to USAID's field missions, which are widely recognized as its greatest strength.

He also has begun to tackle some of the most difficult problems that have plagued USAID for decades—like a cumbersome, overburdened procurement system, and dysfunctional personnel and financial management systems.

Fixing these problems will not be easy, and the jury is still out on your efforts. But you have our strong support.

There are other serious challenges. One we often hear about is that proposals are brought to USAID from private organizations, universities, individuals or others outside the Agency, including members of Congress, which too often receive only superficial consideration.

People seeking funding for projects are often sent back and forth between the Washington headquarters and the field mission, only to be told that a final decision must be made at the other location.

I have long said that USAID's greatest asset is its employees. They are dedicated, hard working professionals. But no one has a monopoly on good ideas, and contracts should be awarded to those with the best projects—not those who are most adept at working the USAID system.

I am also concerned that the Administration has decided to let go some of its most capable people in USAID's Legislative and Public Affairs Bureau. While these were political appointees, I would feel the same way regardless of who appointed them.

These individuals consistently acted in a non-partisan manner, built solid relationships with both Republicans and Democrats, and were outstanding advocates for

USAID on Capitol Hill. I am sorry to say that losing these experienced public servants may damage USAID's ability to get what it wants from Congress.

Turning to the fiscal year 2003 budget, I have read your statement and there is a great deal in it that I agree with. However, while you make a convincing case for substantially greater funding for foreign assistance, the budget request itself falls far, far short.

The \$7.3 billion you request for AID's programs from the Foreign Operations Subcommittee represents only a modest increase over the fiscal year 2002 level. It is actually a decrease from last year if you factor in emergency spending. This budget would appear to reduce funding to protect child and maternal health, to combat infectious diseases like TB and malaria, and to assist vulnerable children. That we cannot accept.

Let me give you just one specific example. In your statement—and I recognize I am jumping the gun a bit here before you actually testify—you discuss your "Africa Initiatives." But for education in sub-Saharan Africa, a continent of a billion people many of whom are illiterate, you propose \$22 million. That is only 10 times the amount we spend on education for Vermont's 100,000 students.

I have no doubt that Mr. Natsios asked OMB for additional resources, and that USAID could put more resources to good use. I also know there are tough choices that every Administration must make when putting together its budget, and this year is no exception.

However, the terrorist attacks of September 11 taught us many things. They taught about our mistaken sense of invulnerability, and that what happens in far off places can have terrible consequences for Americans here at home. Whether a terrorist attack in an American city, the proliferation of weapons of mass destruction, or the ravages of AIDS—our security is directly and indirectly linked to events and conditions around the globe.

With the exception of the cost of deploying our Armed Forces, the International Affairs budget is what we spend to protect our national security outside our borders. A year ago, some might have asked what illiteracy and unemployment in Pakistan or Afghanistan or Indonesia have to do with America's security. Today it should be obvious. People who are educated, who can earn money to feed their families, and participate meaningfully in the political process, are not likely to be training to be terrorists.

For years, organizations working on the front lines in these and other impoverished countries, as well as Senator McConnell and myself and a few others in Congress, have appealed for significantly more funding to combat poverty and its many inter-related causes and effects. This includes unchecked population growth, political and economic instability, corruption, destruction of the environment, drug trafficking, and terrorism. Year after year, the Congress and the Administration failed to deliver.

The President's budget provides only \$165 million for education for the world's 2 billion poorest children. The President's budget provides \$1.3 billion for health care for the world's poorest three billion people, barely half the amount we spend on health care for Vermont's 600,000 residents. This is simply not a credible response.

We struggle to find a few more millions to alleviate the suffering in refugee camps, which are fertile grounds for terrorist recruits. We argue about \$5 or \$10 million for micro loans to help the world's poorest families start businesses. We rob Peter to pay Paul for a few more millions to vaccinate against measles, which needlessly kills 900,000 children each year. Year after year, we debate about funding for family planning and reproductive health care, which in the Administration's budget request is less than we spent six years ago.

Despite this sorry situation, there is a ray of hope. Since September 11, many distinguished former national security officials, private citizens, and a broad, bipartisan cross-section of Members of Congress, have called for a new "Marshall Plan" to combat world poverty. I am very pleased that 41 Senators—Republicans and Democrats—are on now record calling for an increase in foreign assistance funding.

We can no longer pretend that spending one-half of 1 percent of our \$2 trillion Federal budget to improve the lives of 3 billion of the world's poor is a serious response. Political violence and terrorism do not occur in a vacuum. They are increasingly the result of religious and ethnic fanaticism that flourishes in countries plagued by misery and injustice.

Have we so soon forgotten the lessons of September 11? We are the richest, most powerful nation in history, yet we act as though the rest of the world barely matters to us.

We cannot put those lessons into effect without Presidential leadership. If President Bush, today, were to ask every American to support a tripling of our International Affairs budget, and he explained why it is important to our national secu-

riety and to combating international terrorism, does anyone think Congress would not respond or that the public would object? The polls show unequivocally that the public understands these issues.

And I know that you, Mr. Natsios, understand these issues better than just about anyone. The Congress and the Administration must work together to dramatically increase funding for these programs—whether through the regular budget process or supplemental appropriations. Not next year, or the year after, but today.

We can do more. We must do more.

PREPARED STATEMENT OF SENATOR MITCH MCCONNELL

It is a pleasure to welcome you before the Foreign Operations Subcommittee this morning, Andy. When you testified last year, you were new to the job—but ready and willing to renew the focus and energy of the U.S. Agency for International Development (USAID). Events of September 11 have made this task even more imperative, and let me say from the outset of this hearing that you continue to have my full confidence and support.

The war on terrorism that is being waged under the leadership of President Bush underscores the importance of programs and activities implemented by USAID. Targeted and effective foreign assistance programs can help undermine corruption, poverty, and ignorance—the very elements that breed terrorism. I am pleased that the fiscal year 2003 budget request for your Agency includes increased funding for governance, economic development, health, and education programs.

I want to make a few general comments on the \$8.4 billion request for USAID, and will do so under the program pillars that the Administration established last year.

The request includes \$1.1 billion for activities conducted by the Bureau of Economic Growth, Agriculture, and Trade. This reflects an overall increase of \$166 million over last year's level, and includes a \$15 million increase for basic education programs. \$316 million is slated for trade and investment programs. To further President Bush's call to volunteerism, USAID may want to consider a funding emphasis on those organizations that successfully utilize American volunteers in their programs, such as the International Executive Service Corps.

The budget proposes \$1.4 billion for programs administered by the Bureau of Global Health. I am pleased \$500 million is included for HIV/AIDS bilateral programs, but suspect that Congress may want to increase this amount as we go through our deliberative process. Child survival and maternal health programs are to receive \$282 million, and I hope that you will explain more clearly the \$37 million reduction over last year's funding level for these activities.

The request for the Bureau of Democracy, Conflict and Humanitarian Assistance is \$224 million. While I support the focus on combating terrorism in Central and South Asia, I also strongly encourage the Administration to continue to support long term democracy building efforts in Southeast Asia and the Western Hemisphere. Indonesia and Colombia, in particular, pose unique challenges that USAID must aggressively address today. We can pay for these programs now, or we can really pay for them later.

I want to make a few, brief comments on the struggle for democracy in Burma. I fully concur with President Bush who stated on December 6, 2001 that Aung San Suu Kyu is "a tireless champion for democracy and human rights in Burma . . . [who] inspires countless people around the world who strive peace, justice, and freedom . . . [and who] has never wavered in her commitment to peaceful change and a process of national reconciliation in Burma."

It is imperative that the Administration not allow the aspirations of the people of Burma, as expressed through the NLD's victory at the polls in 1990, to fall by the wayside as the war on terrorism continues. Any and all assistance—including programs that may help stem the rapid HIV/AIDS infection rate in Burma—must be coordinated with Suu Kyi and the NLD. We should judge progress on the dialogue between Suu Kyi and the SPDC on concrete actions taken in the direction of reconciliation and peace.

Let me close by expressing my appreciation and that of my staff to the outreach efforts of USAID. Ed Fox is doing a terrific job heading up the legislative office, and while there are many new faces, folks like Dottie Rayburn deserve praise for keeping in close and constant contact with the Senate.

PREPARED STATEMENT OF SENATOR TIM JOHNSON

Mr. Chairman, I would like to thank you and Ranking Member McConnell for organizing today's hearing with Andrew Natsios, Administrator of the U.S. Agency for International Development. I look forward to working with both Chairman Leahy and Senator McConnell as we move forward with the fiscal year 2003 Foreign Operations Appropriations Bill.

Foreign assistance is one of the most cost-effective, but least understood, parts of the federal budget. For an investment of less than one half of one percent of total federal spending, USAID operates field missions in 72 countries and has programs in over 100 countries. USAID programs promote economic development and humanitarian assistance to some of the most desperate nations in the world, often coming to assistance during times of national emergency or natural disaster. Americans should be proud of the way foreign assistance dollars are spent.

I think too often, as elected representatives, we do not do a good enough job explaining to our constituents the importance of foreign assistance to our own national security. While it's easy to see the benefits of having the best-trained and best-equipped military in the world, foreign assistance also plays an important role in keeping the American people safe.

One of USAID's primary missions is to assist developing nations by encouraging economic development, promoting democracy, combating global health threats, and providing necessary humanitarian assistance. While the connection between this mission and U.S. national security is not obvious, one need look no further than Afghanistan to see the consequences to our security of a failed nation. By working to prevent conflict within and between nations before they begin, we lessen the chance we will be forced to send our sons and daughters who serve in the military in harm's way.

Beyond preventing nations from failing, our foreign assistance budget is designed to improve the lives of people in developing nations by helping them to create free-market democracies. Programs to enhance access to schooling, develop agriculture, or create civil institutions ultimately have benefits around the globe. As these nations rise out of subsistence poverty, they create new markets for global products. For my state of South Dakota this means new consumers for the grains and meat produced by family farms and ranches.

I think all of us in Congress need to do a better job of telling the successes of foreign assistance funding and explaining the benefits of this small investment to the American people.

Mr. Chairman, I would like to take this opportunity to discuss a couple of projects of importance to South Dakota. The fiscal year 2002 Foreign Operations Appropriations Bill included a provision giving USAID 60 days after enactment of the bill to report back to the Committee on the status of certain University Programs. As the Chairman is aware, the deadline for this report is rapidly approaching and I wanted to highlight for Administrator Natsios two of these important programs.

First, South Dakota State University has been a longstanding partner in the International Arid Lands Consortium—a group that conducts research, education, and technical assistance programs in the United States and with partners in the Middle East addressing water, land, and management issues. The International Arid Lands Consortium provides for unique collaboration between the United States, Jordanian, Israeli, and Egyptian researchers and scientists. Approximately 40 percent of the world's land is arid or semiarid, and the International Arid Lands Consortium is making great strides in helping to transform this terrain for agriculture and habitation while also addressing the negative impact of urbanization and desertification.

The second project involves fellow-South Dakotan, Ambassador George McGovern's campaign to end global hunger. Established by Dakota Wesleyan University, the George McGovern Center for Public Hunger Project will be an extension of George McGovern's lifelong work to eradicate poverty and hunger. As most already know, Ambassador McGovern was instrumental in creating programs to alleviate hunger including Food for Peace, school lunches, and food stamps and also advanced federal efforts to deal with poverty and hunger worldwide. Since 1998 he has served as the U.S. Ambassador to the United Nations Food and Agricultural Organization. In this role, he has successfully promoted an international program to provide school lunches throughout the third world. His lifelong dream is to fully banish hunger from the earth by 2030.

Both of these projects were included in the Senate Report for the fiscal year 2002 Foreign Operations Appropriations Bill, and I look forward to receiving the status report from USAID.

USAID plays a critical role in protecting our country's national security while also highlighting our commitment to providing humanitarian assistance to developing nations. I would like to thank Administrator Natsios for his service to our country and for his long-standing commitment to these important foreign assistance programs.

Once again, Mr. Chairman, thank you for organizing this hearing and I look forward to working with you in the coming year.

Senator LEAHY. I do not know if the Senator from Louisiana has anything she wanted to add to this. I would recognize her.

OPENING STATEMENT OF SENATOR MARY L. LANDRIEU

Senator LANDRIEU. Thank you, Mr. Chairman. I really appreciate your remarks, Mr. Chairman, and your great leadership in this area over many, many years, and your knowledge and passion that you bring to this subject, and I would like to associate myself with the remarks you have made and welcome our Administrator to work with us to try to find a solution to this dilemma, because it truly is beneath a great Nation, as the chairman has said, for us to allocate so little of our resources.

Perhaps, though, there was some question before 9/11, or some reason that reasonable people could argue about that, but after 9/11 it occurs to me that it is really nonarguable, or nonnegotiable, or it should be so transparent and clear, the danger that the United States continues to put itself in if we do not strengthen our security by not only strengthening our military but investing in the development of nations around this world, if not because it is the right and just and moral thing to do, as the chairman has so eloquently pointed out, but it is truly in our self-interest and self-preservation, and in our short, medium and long-term security interests to do so, so I am going to prepare and have prepared for the record more extensive remarks along this line, but just to join with the chairman to urge you, as the Administrator, to urge the President to take a fresh look at the fact that our investments to secure America's future are not just—and I support his calls for additional military spending, but that can just be one pillar of what we need to build in terms of a great foundation of security for this Nation, and investing up-front in developing nations so they can be more secure and people can have hope in development is our best security from future wars and times of conflict.

Let me just also add briefly that, Mr. Chairman, one way, of course, is to try to dig a little deeper, which I agree that we can do, and provide some hard dollars to supplement this budget, and other ways to think more creatively about the way we spend these dollars to leverage and to better coordinate the tremendous generosity that is out there in the world from the private sector, faith-based organizations, private donations.

And I would like to say to you, Mr. Administrator, after spending some years working specifically in the area of the institutionalization of children internationally, and adoption and other child-specific issues, that I see a real opportunity, Mr. Chairman, for us, as the Scripture says, to take the loaves and fishes and to take what investments the United States makes, instead of thinking our mission is just to give out that money efficiently, or to think about using those few but precious billion dollars to leverage the money that is out there so that it can be used more effectively in the de-

velopment in the underdeveloped world, and I am going to have some questions along that line.

But Mr. Chairman, I thank you for being able to make these opening remarks.

Senator LEAHY. Thank you very much, Senator, and I appreciate your remarks.

Mr. Natsios, please go ahead, and we will put your full statement in the record, but please feel free to summarize it for us.

SUMMARY STATEMENT OF HON. ANDREW S. NATSIOS

Mr. NATSIOS. I certainly will do that, Mr. Chairman. Thank you for the opportunity to testify before the committee. It is an honor for me to be here today to talk about the President's budget for USAID for fiscal year 2003.

Just to make a couple of initial comments, the first is, not to quibble, but I think there is a misreading of what we have proposed in terms of the Africa budget. We do not propose \$22 million. That is for one program within the Africa budget on education, the EDI program, as it is called, which was initiated by the last administration. It is a nice program. It is not where the big focus will be, which I want to put in, which should be in systemic reform. Our proposal for Africa for education is \$95 million.

Senator LEAHY. Let me just make sure I understand. It is \$95 million. What is the population we are talking about?

Mr. NATSIOS. 600 million people, but many of those countries we do not have USAID missions. Some of them are oil-rich and actually do not need a USAID mission, so we have to be careful which countries we are talking about.

Senator LEAHY. Of the countries we are talking about, how many people are we talking about?

Mr. NATSIOS. We are probably talking about 400 million.

Senator LEAHY. So \$95 million. I just want to make sure I have the numbers right. \$95 million for those 400 million. In my little State, which is not a wealthy State by any means, we spend \$2.2 billion for 100,000 students. Okay, I understand your answer.

Mr. NATSIOS. Let me just sort of—Zimbabwe has a 92-percent literacy rate. The USAID program in Zimbabwe, even if there was no political instability, would not include an education component because they have a very functional education system there already. Botswana has over 90-percent literacy, and a very good educational system, and so I think there are issues in education in some countries. Mozambique has a very low literacy rate. We have done work in that country on education.

The perception that all countries are the same I know you know, Senator, is not true. Some countries are very advanced in some areas.

Senator LEAHY. Angola is oil-rich, but it is one of the poorest nations on Earth.

Mr. NATSIOS. It is, because it has not used its oil wealth for whatever, because of their security problems.

Senator LEAHY. And there are some countries, especially during the cold war, that we supported with large amounts of foreign aid even as they stole money from their people and deposited it into Swiss bank accounts.

Mr. NATSIOS. Let me just sort of correct that one point, but in terms of the point that Senator Landrieu just made with respect to private funding, I would like to begin with that, because one of the four pillars of USAID work, and I use that because we actually have four pillars of USAID's work since I became administrator under the President's and the Secretary's leadership, and one of them, the first pillar is called the Global Development Alliance, and it is an attempt to harness in partnerships with the private sector this enormous shift in resources to the developing world.

In 1970, 70 percent of all the capital flows to the developing world came from official development assistance, in other words, from foreign aid from northern countries, 70 percent. 30 percent came from private sources. Last year, 80 percent of the capital flows, which are also much higher in terms of total volume, 80 percent came from the private sector and 20 percent came from the public sector.

Now, where does that 80 percent come from? It comes from \$30 billion in remittances. We're finding people do not just send remittances back to their relatives in the developing countries just for television sets and houses. They build schools, and we are having discussions now with some very interesting diaspora groupings within the United States about the possibility of linking up with some of these groups to see if we could not add some of our money in with the remittances they are sending back to their village to do some of the development work. It is in the inception stage, but we are talking about it.

Bill Gates spends as much on international health in the developing world from his Gates Foundation than any northern country in the world. It is a huge amount of money. His Gates Foundation has a \$23 billion endowment.

Universities spend private money, not public money, and NGO's, the NGO I worked for has private income of \$1 billion a year now from all of its northern fundraising offices, \$1 billion in private money now, and we have not adequately in USAID yet done a good job in linking up private foundation money, university private money, NGO private money, capital money from the capital markets, and USAID funding, and one of our efforts now is to do that. It is called the Global Development Alliance, and Secretary Powell mentioned this in his testimony a year ago.

We now have over 60 proposals before us, very, very interesting and innovative proposals to try to do what you have suggested, Senator, which I have to say we think alike, because that is something that we need to focus our attention on. It is one of the four pillars.

Our budget proposal calls for us to manage \$8.47 billion in fiscal 2003. This includes \$2.4 billion for development assistance, including child survival and health program, \$235 million for international disaster assistance, \$55 million for transition initiatives, \$586 million for operating expenses, and \$95 million for the capital investment fund.

It also calls for \$2.29 billion in ESF funding, the economic support fund, \$495 million for assistance for Eastern Europe and the Baltics, and \$755 million for assistance to the Independent States

of the former Soviet Union, which are programs we co-manage with the State Department.

We have proposed a very large increase, even though it is not before this committee, in the title II Public Law 480 Food for Peace program. It is a \$335 million increase for a total of \$1.185 billion in title II for the next fiscal year.

All told, in the resources we are managing we have an 8-percent increase in our spending. Now, that is not enormous, but it is much more than most Federal departments are getting, and it is actually very healthy compared to what these accounts have shown in the last 12 years. The Africa budget has actually been either level-funded, or there has actually been cuts in the Africa budget.

I am an Africanist, and the Secretary has a very deep interest in Africa, as does the President, and we made the decision to increase over a 2-year period spending in Africa by 22 percent, and so the budget for the first time in history will exceed \$1 billion in 2003 for Africa, so there is a renewed commitment to do work in Africa. Half of that is for the HIV/AIDS pandemic, but the other half is in trade capacity-building and an anticorruption program that we are going to be running with African countries, and most importantly in education and in agriculture, which is one of our major new focuses.

Secretary Powell earlier this month—

Senator LEAHY. If I could interrupt there, because I notice some of your figures, I just want to make sure I understand the money for AIDS last year. The administration requested \$369 million for the HIV/AIDS program. The Congress, let me repeat that. The Congress increased it to \$475 million. I mention that because I have heard comments from various people in the administration implying that the administration was the driving force behind reaching the amount of \$475 million. I am delighted we provided \$475 million, but we had to bring some in the administration kicking and screaming to it. In fact, the administration worked against funding for HIV/AIDS by drumming up support for an amendment that could have taken HIV/AIDS funding and transferred in to our program for interdiction in Colombia.

And the administration also had a global fund request of \$200 million, and we increased that to \$250 million. I point this out because we had to really push and fight, and really had to fight against the administration's lobbyists to increase funding by \$156 million for the various AIDS programs. I am pleased that the administration now thinks that was a good idea, and I mentioned it because I want you to know we will continue to work to make sure that these levels are further increased next year.

Mr. NATSIOS. Well, Senator, I might add—

Senator LEAHY. I know I am preaching to the converted with you, Mr. Natsios, and I do not mean this in any way a criticism of you. We all know that you have to deal with OMB, but I just want you to know that we are here to help.

Mr. NATSIOS. I appreciate that, but let me make some comments about HIV/AIDS, because I think there has been a lot of public discussion, some of which is not complete in terms of understanding what we have been doing. The amount the administration asked for for fiscal 2003 is \$155 million more than what Congress gave

us in 2002, so we have asked for a substantial increase over what was given to us by the Congress, so we were not dragged kicking and screaming. We did this because we believe it is one of the most serious challenges in Africa.

It is the reason that the Secretary's first trip abroad—I am sorry, one of his early trips abroad was to Africa. I went with him on that trip, and it was to highlight the issue of spending on HIV/AIDS.

Senator LEAHY. We understand, but didn't we end up cutting other international health programs like malaria and TB and those to pay for this?

Mr. NATSIOS. There were several cuts in other accounts.

Senator LEAHY. Well, seriously, what does that do for us? I mean, we don't make much progress if we cut critical programs to combat malaria, TB, and other infectious diseases because we have to do more for HIV/AIDS. Why don't we do both? We do not say we can only send one B-52 over Afghanistan to bomb Torah Bora if we really need two, three, or four to do the job. I mean just like military operations, global health is a critical national security issue.

Mr. NATSIOS. The international AIDS account, Senator, the whole health account is up over what you gave us for this year. It is up \$60 million.

Senator LEAHY. Does it cut malaria?

Mr. NATSIOS. We have shifted money from some of those accounts into the AIDS account, but I might add these accounts are not run separately in the field. Our health programs are integrated programs in the field. The trust fund that is being managed internationally is a trust fund for HIV/AIDS, malaria, and TB, so it really is not quite accurate to say we have cut those accounts in terms of the actual spending in the field, because the trust fund is for all three diseases, not just for one.

We made a decision we wanted to put more money into the trust fund. We shifted money out of the malaria account and the TB account and the HIV account and put it into the trust fund, but the aggregate amount we are putting into health is up \$60 million in 2003 from what you gave us in 2002.

Senator LEAHY. And if we had kept the money, the amounts that were there for TB, malaria, and so on—

Mr. NATSIOS. It is being kept, Senator. It is being put in an international fund for the same purpose.

Senator LEAHY. Then why is it that the global fund for example is \$250 million in fiscal year 2002, but it is \$200 million in your request in fiscal year 2003?

Mr. NATSIOS. The total amount for the trust fund, as I understand it, is \$500 million. It is \$500 million between the 2 years into the trust fund, and so we have proposed what we did this year, plus what we did—

Senator LEAHY. But it was \$250 million last year, \$200 million this year, no?

Mr. NATSIOS. No, it is \$500 million total.

Senator LEAHY. Is that actual money, or just authority?

Mr. NATSIOS. No, it is actual money. It is cash.

Senator LEAHY. So you are saying the \$250 million that we gave last year would be at least \$250 million, your request is \$250 million again this year?

Mr. NATSIOS. The amount last year—

Senator LEAHY. You have people shaking their head no behind you.

Mr. NATSIOS. It is \$50 million—I am sorry, \$50 million of the money we shifted this year is from 2001, \$200 million is from this year's appropriation, and then there is \$250 million for next year.

Now, it is not all from USAID. \$100 million is in the HHS account, but is still going to the trust fund, so I am not suggesting we are putting all the money in. Part of the money is in the HHS budget. That is going to be transferred to us, then we will send one check for the U.S. Government's contribution to the global trust fund. All of the account money for that trust fund does not come out of USAID's budget, it comes out of two budgets, HHS and ours. That is perhaps the source of the confusion.

Since I have just discussed HIV/AIDS, let me go on to the total amount—let me go back to this now. The total amount we are spending in 2003 between CDC, HHS, the global trust fund, NIH research for third world HIV/AIDS issues, and our spending, total amount spending for third world HIV/AIDS is \$1.185 billion, almost \$1.2 billion in the 2003 budget. It is an enormous commitment, larger than any country in the world, and I might add—

Senator LEAHY. Could you please break that figure down. I want to be sure I fully understand it. Remember, I am just a lawyer from a small town in Vermont, so I do not understand the way you guys work with these numbers all the time.

Mr. NATSIOS. Well, I am a former legislator from a small town in Massachusetts.

Senator LEAHY. Well, we like you people from the southern States.

Let me ask you, so where does that \$1.1 billion come from?

Mr. NATSIOS. It is \$1.187 billion. It comes from fundamentally two sources. It is our budget and the HHS budget. The HHS budget is broken down between the National Institute of Health and CDC. CDC has programs in the field. We have worked with them in many, many countries in the developing world, on the HIV/AIDS pandemic.

Senator LEAHY. And HHS is on a program designed for the developing world?

Mr. NATSIOS. Yes. This is only money for the developing world. This is not for domestic AIDS work, and it is a sizeable commitment, and there is an issue when we scale up in any major crises or focus of the capacity to spend this money. We think we can spend this money, or we would not be proposing it.

Senator LEAHY. I grant you that. There were a lot of the mistakes in past years in the way in which we managed foreign aid. We threw good money after bad, especially to dictators who did little more than declare that they were anti-communist.

But the magnitude of the HIV/AIDS problem is so large that while we cannot do it all ourselves we have to do a great deal more. You have nations that could disappear, literally disappear in

Africa, in large part due to HIV/AIDS. And, that is precisely why funding for HIV/AIDS programs is so important. But go ahead.

Mr. NATSIOS. In fact, there are 10 African countries that within 5 years will have either negative population growth rates or no population growth, and it is because such a large portion of the population has the disease, the infection. It is horrendous in a number of countries in Africa.

And the two fastest-growing countries where the infection is growing even though the base is smaller is Russia and India. Russia is primarily among intravenous drug-users, and we are finding it in the populations of India in the urban areas. It is very disturbing, and we are seeing big rates of increase, we think, we do not know for sure, in Burma.

Senator LEAHY. China, also.

Mr. NATSIOS. Yes.

The second area of focus in this budget for us is in trade and investment. AGOA is a joint party—I think conservatives, liberals support it, the administration has been a strong supporter of AGOA too, which is a trade and investment act that reduces trade barriers in African countries. The Secretary is very strong in this, the President is, Bob Zoellick and I have had extensive conversations how we can work together.

While it is not my job to negotiate tariff agreements or general trade agreements, it is our job to do the work to prepare countries in the developing world to take advantages of the improved trading climate when there have been, particularly in Latin America and Africa, these trade initiatives.

We spend actually I think 60 percent of the total amount spent by the U.S. Government in trade capacity-building. What does that mean? The phytosanitary code of the northern countries can be an impediment to the export of agricultural produce. If they do not understand these regulations, even though there are no trade barriers at all, they cannot export to the northern countries.

If they are producing the wrong kinds of foods, for example, that is their primary export, they do not have markets, and so we do a lot of work to show them what the markets are where they have a particular value added. We do a lot of training of trade ministries, finance ministries, we work with them on things such as regional trade barriers that may impede trade among countries in a particular region.

And so we have asked for an increase in that, particularly in Africa, for that trade capacity-building.

The third area that we are focusing on is the area of education. The education budget when I started was \$102 million. We proposed \$165 million for fiscal 2003. Now, the two areas that USAID suffered the most in the 1990's was both in education and agriculture. In education, we only have five education officers left in USAID. The rest were laid off in the mid-nineties, in the RIF's that took place, and there have been no substitute officers, in other words, officers hired to take their place.

We had in 1986, 1987, 248 agricultural scientists, or agricultural economists, in USAID. When I started 8 months ago we had 42 left, massive reduction in our competence in agriculture. We hired six since. We propose some increases in the agriculture budget,

which is probably my first priority, because as you can see, if you look at the studies, the best way of reducing poverty in the developing world is through agriculture, so education and agriculture are two of our major initiatives in this budget.

We also have a new initiative in terms of conflict prevention and conflict mitigation. We put \$50 million in this budget that will be used in countries that our assessments show could be in conflicts at some point in the near future. We did a study when I first arrived at USAID of how many countries that have USAID missions, and there are formal missions in 75 countries, another 15 countries we have a presence in but not a full mission, and two-thirds of those countries have had conflicts at some point, either full-scale civil wars or regionalized conflicts within the last 5 years.

I have had some people say, well, why are you worrying about that? You cannot run a long-term development program in the middle of a civil war unless you factor in the civil war and how it affects your development program, and so we have a whole new initiative on that. We developed a really very useful and very interesting analytical tool for use in countries to determine if the mission director and the ambassador think things are deteriorating, whether there is a likelihood of a major conflict taking place, and it is almost complete. We will be training our staffs in the field, and it will be used to produce the kinds of assessments we use now in health to tell us whether an epidemic is taking place, or in food security to see if there is a hunger problem.

In terms of regional initiatives, we are focusing on the stabilization of the front-line States in Central and South Asia. I have been to Afghanistan now twice. We have reopened our mission there after being gone for 23 years. We have opened a new mission, USAID mission in Pakistan after being gone for almost a decade.

The second regional focus is in Africa, as I mentioned earlier. We are facing several major challenges there. The first is in agriculture. About 73 percent of the world's malnourished people will be in Africa by the year 2015 if present trends continue. The two areas where we are failing in the hunger battle are in South Asia and Africa, and the only way to deal with this—not the only way, the most important way to deal with this is through agriculture.

Why is that? 75 percent of the poor people in the world live in rural areas, and they are either farmers, or they are herders, or they are in a supplemental trade that is dependent on farming, and unless we focus on agriculture in the rural areas, we will fail.

Now, there is a lot of interest groups in the city that are focused sectorally and we do not have, until recently, a coalition behind more spending in agriculture. We did put more, \$30 million more into the budget for the current fiscal year. We put another \$60 million in for the next fiscal year for a total of \$90 million over 2 years. That is not enough in my view, but it is a beginning, and we have revived the agriculture sector.

PREPARED STATEMENT

Emmy Simmons will have her hearing before the Senate Foreign Relations Committee—she is a career Foreign Service Officer—to be the new Assistant Administrator, should the Senate confirm her, of the new Bureau of Economic Growth, Agriculture, and Trade.

She is an agricultural economist, and in fact our senior agricultural economist at USAID.

[The statement follows:]

PREPARED STATEMENT OF HON. ANDREW S. NATSIOS

Chairman Leahy, Senator McConnell, members of the subcommittee: It is an honor to be here today to discuss the President's budget for the U.S. Agency for International Development for fiscal year 2003.

Our budget proposal calls for us to manage \$8.47 billion in fiscal year 2003. This includes \$2.74 billion for Development Assistance, including child survival and health programs; \$235 million in International Disaster Assistance; \$55 million for Transition Initiatives; \$586 million in Operating Expenses; and \$95 million in the Capital Investment Fund.

The budget also calls for \$2.29 billion in Economic Support Funds; \$495 million for Assistance for Eastern Europe and the Baltics; and \$755 million for Assistance for the Independent States of the Former Soviet Union. We co-manage these funds with the State Department.

In addition, the budget calls for USAID to manage \$1.185 billion in PL 480 Title II Funds.

In a speech at the World Bank last July, President Bush cited three great goals necessary to build a better world:

- First, "America and her friends and allies must pursue policies to keep the peace and promote prosperity."
- Second, we must "ignite a new era of global economic growth through a world trading system that is dramatically more open and more free."
- And third we need "to work in true partnership with developing countries to remove huge obstacles to development; to help them fight illiteracy, disease, unsustainable debt."

The tragic events of September 11 and the ensuing war on terrorism have obviously had an impact on our plans and budget. This is only natural. We have fully supported the President's efforts in Afghanistan and the surrounding region. For example, we have led the international community by providing considerably more emergency food supplies to the Afghan people than any other nation. And now that the worst of the fighting has ended, we are starting to help the country rebuild its agriculture, schools, communities and institutions.

Despite these events, our basic mission has not changed, and we continue to look to the President's three goals for guidance.

If anything, the events since September 11 have reinforced the need for a vigorous, innovative, cost-effective approach to foreign assistance and international development. This is the best way that USAID can serve our nation's interests, fight the foes of freedom, and address the many problems of poverty, disease, corruption, and weak or dictatorial government.

As Secretary Powell said earlier this month, "over the past year . . . the broader tapestry of our foreign policy has become clear: to encourage the spread of democracy and market economies and to bring more nations to the understanding that the power of the individual is the power that counts."

Even before September 11, the forces of globalism and its many manifestations, both good and bad, had caused USAID to refocus its programs and priorities. As a result, we are reforming our management practices and putting new emphasis on encouraging trade and free markets, improving agricultural practices, managing conflict, fighting corruption and illiteracy, promoting education, and stemming the spread of HIV/AIDS and other infectious diseases.

At the same time, we continue to maintain a strong focus on:

- Fighting hunger and poverty through agricultural development;
- Promoting democracy, good governance, and the rule of law;
- Improving health, particularly for women and children;
- Responding quickly to international disasters and delivering humanitarian assistance; and
- Promoting sustainable management of the world's natural resources.

We are also encouraging market-oriented policies in Eastern Europe, helping African nations join the World Trade Organization, financing job creation in rural Central America to help stem illegal immigration to the United States, and funding research that will increase food production in Africa.

To build a strong foundation for sustained economic growth, developing countries need peace and security, good governance, and educated, healthy workers. Where these conditions exist, countries like Thailand and many in Latin America and Cen-

tral and Eastern Europe have made substantial progress, and we are proud of having helped them.

Other countries—from Jordan and Morocco to Mozambique and the countries of Central America and the Caribbean—are emerging from the problems of their past. While each case is different, we intend to provide sustained support for countries where progress is possible, nurturing our relationships and monitoring our programs for effectiveness.

Unfortunately, there is a third category of countries, where there is little we can do until their governments change their policies and practices. Until then, our programs with them will be limited to emergency humanitarian or transition assistance.

Our budget request for fiscal year 2003 addresses each of these fundamental issues of development in considerable detail. For the purposes of this discussion, let me highlight a few of our most important priorities.

Fighting HIV/AIDS.—The HIV/AIDS pandemic is devastating much of Africa, particularly in the south. In some countries, more than 30 percent of the population is infected. As the disease affects young adults in particular, countries are losing their most educated and skilled workers. Business, government, and agriculture have all been hurt. Millions of children have lost their parents, and millions more will probably do so, if present trends continue. As the pandemic grows and spreads, the economic, social and political consequences are almost beyond reckoning.

HIV/AIDS is already escalating dramatically elsewhere, particularly among prostitutes and intravenous drug users. Russia and India, to name two of the more worrisome cases, have both seen alarming increases in prevalence in just the past two years.

In response to these challenges, USAID's budget for bilateral HIV/AIDS has increased dramatically since fiscal year 1999. We hope to build on this, increasing our funding from \$435 million in fiscal year 2002 to \$540 million in fiscal year 2003. With these resources, we are now able to increase the number of our HIV/AIDS priority countries from 17 to 23, expand our regional programs to focus on "hot spots," improve our monitoring and reporting system, create a central Condom Fund and allocate more program money directly to the field, where it matters most. Overall, USAID will work in approximately 50 countries.

USAID is the lead agency in the U.S. Government's international fight against HIV/AIDS. When our resources are combined with the international health programs supported by the National Institutes of Health and the Centers for Disease Control and Prevention, our overall government funding for HIV/AIDS will be over \$1.1 billion for fiscal year 2003.

Promoting Trade and Investment.—The growth of international trade and investment has produced great gains in income and employment over the past generation. Many developing countries, however, have not capitalized on this, and few have seen tangible benefits from the era of global commerce. Capital flows freely in this global era, but it will only do so when the proper business environment is present. For this reason, USAID is increasingly focussing on improving countries' ability to participate in the international trading system and helping them reform their commercial laws and practices so that they can attract domestic and international investment.

For fiscal year 2003, we intend to build on these programs, improve local business environments, train farmers, government and business leaders, and continue our highly successful microenterprise programs.

Supporting Education and Attacking Illiteracy.—Basic education provides children and young adults the skills they need to help themselves, their families and their communities. Despite the clear importance of education to development, over 110 million primary-school-age children in developing countries remain out of school. More than 60 percent of them are girls.

Our budget request includes a substantial increase in funding for basic education programs, from \$102 million in Development Assistance in fiscal year 2001 to \$165 million in fiscal year 2003. This reflects our commitment to education and builds on the significant increase in international education funding that Congress voted for fiscal year 2002. The new request will help fund our new Centers for Excellence teacher training programs in the Caribbean, launch an important new multi-year basic education program in Pakistan, and start rebuilding Afghanistan's shattered school system, among many other things.

Incidentally, school starts in Afghanistan next month, schools where the Taliban had prevented girls from attending and women from teaching. That has changed, and I am proud that one of USAID's quick impact programs is supplying almost 10 million textbooks—a country-wide curriculum for grades 1–12—to help the country's schools get started.

Mitigating Conflict.—Corruption, religious and ethnic extremism and irresponsible governments have combined to make the past decade one of the bloodiest in memory. Clearly, it is in no nation's interest to see this trend continue.

Wherever the United States has been involved militarily in recent years, USAID has played a major role in the rebuilding and reconciliation process. This is never an easy task. Infrastructure can be rebuilt, but people are another matter. It takes time for the wounds of war to heal. Some institutions need to be rebuilt; others must be started up from scratch. There are immense issues of justice that must eventually be faced, but in the meantime, people must eat and work and learn to live with one another.

We have learned some important lessons in this field. One of them is the need to coordinate our humanitarian programs more closely with military programs, so that when the fighting ends, we can move more effectively from humanitarian relief to rule of law, democracy, and economic growth projects. Under our new conflict management initiative, approximately \$50 million in fiscal year 2003 funds will be devoted to putting this new strategy into effect and fulfilling our other conflict management initiatives. Ultimately, we want to focus our assistance to problem countries more effectively so that their capacity for self-government and peaceful conflict resolution are strengthened.

REGIONAL INITIATIVES

Stabilizing Front Line States of Central and South Asia.—Even before September 11th, a broad consensus had emerged that U.S. re-engagement in South Asia was necessary to improve the region's social and economic conditions, and reduce the risk of regional and global instability. This process is now well under way.

Last month, I visited Afghanistan again, where I was proud to announce that USAID is reopening the mission we were forced to close in 1979. This follows directly on Secretary Powell's announcement that we are reopening our mission in Pakistan, which had been closed for nearly a decade.

These two missions will play a major role in our efforts to respond to pressing needs of the Afghan and Pakistani people. As elsewhere in South Asia, our focus will be on basic education, health, agriculture, rural development, and good governance programs. And we will continue to give special emphasis to improving the status of women.

We have been present in the Central Asian Republics since shortly after the collapse of the Soviet Union. But clearly, the events of the past few months suggest that our relations with those nations are in the process of changing. USAID's budget request reflects this, and we are asking, therefore, for increased funding for our infectious disease, conflict mitigation, economic reform, and democracy programs.

African Initiatives.—USAID is requesting increases in funding to pursue four African initiatives in fiscal year 2003. Each will expand upon programs managed by our field missions.

—The first is in agriculture. A large percentage of Africa's population depends on agriculture and livestock for their livelihood. And yet one-third of the people go to bed hungry. Given the impact of HIV/AIDS on agriculture in certain regions, the situation may well get worse. Indeed, it is estimated that by 2015, Africa will account for 73 percent of the world's undernourished, if present trends continue.

But there is hope. Research suggests that investments in agriculture have a stronger impact on poverty than in any other sector. Consequently, we are asking for an additional \$27 million this coming fiscal year, of which \$20 million will be devoted to cutting hunger in half by the year 2015. This will be done in conjunction with the Partnership to Cut Hunger and Poverty in Africa. This initiative will target seven to nine countries where we can have the most impact and concentrate our initial efforts on training and new technology.

—Our second African initiative is in trade, where we are asking for \$15 million in the coming fiscal year to help African countries take full advantage of the African Growth and Opportunity Act (AGOA). This means helping businesses export and understand the global trading system and encouraging governments to revise their commercial laws and policies.

—Our third African initiative is in education, where we are asking for \$22 million for fiscal year 2003. This initiative has four components: providing scholarships so that children, especially girls, can attend school; helping schools use information and communications technology; training new teachers, in part to compensate for those who have contracted HIV/AIDS; and helping communities establish and maintain their own schools, when the government is no position to

help. This latter policy, by the way, has proven highly successful in countries like Mali.

—And fourth is our African anti-corruption initiative for which we are asking \$7.5 million in the coming fiscal year. Our objective here is to improve transparency and accountability and thereby help overcome the endemic corruption that contributes to instability and holds back economic progress in the region.

Central America.—Given the importance of Mexico and Central America to our economy and the well-being of our hemisphere, we are planning a new initiative for Mexico and Central America in fiscal year 2003 that we call the Partnership for Prosperity. This is a new kind of initiative, one that seeks to create alliances between our own border states and the countries of the region and that works in conjunction with the American Hispanic community, businesses, international financial institutions and foundations.

This initiative will serve several purposes, in addition to building an alliance whose resources and capabilities go far beyond any single organization. One of the most important is to build upon the excellent relations between Presidents Bush and Fox and engage the Mexican government on trade, environment, health, safety and immigration issues. The initiative also seeks to further the Summit of the Americas' goals in democracy, development, and trade. Among the issues this \$30 million initiative will focus on directly are illegal immigration, the severe decline in coffee prices, the drought that is affecting many parts of the region, and the growing incidence of malnutrition there.

Andean Regional Initiative.—Now in its second year, the Andean Regional Initiative (ARI) is a 7-country regional initiative that is, in some ways, the successor of Plan Colombia. While Colombia remains the most important aspect of the ARI, the country's direct neighbors—Bolivia, Brazil, Ecuador, Panama, Peru and Venezuela—are included in it, too. For fiscal year 2003, the USAID-administered portion of the ARI request from all accounts will total \$428 million, \$151 million of which is destined for Colombia.

While the fight against narcotics trafficking is the central focus of the ARI, each country has different needs and thus a different program mix. In Colombia, for example, our economic growth and infrastructure projects are designed to encourage people to stop growing drugs and find decent alternatives. We are also devoting considerable resources to rule of law and human rights programs as well supporting many who have been displaced by the fighting and instability.

CHANGING TO MEET THE CHALLENGE—MANAGEMENT AND ORGANIZATION

Helping people amidst the considerable complexity of the developing world requires a transparent, agile, and skillful organization, and one that has adequate safeguards for employees, many of whom work in difficult if not dangerous circumstances.

But we are also focused on performance and we are working to improve in every aspect of our work. To this purpose, I have made performance-based management a fundamental priority of our agency, for we recognize our obligations to the Administration, the Congress and the taxpayers to spend our money wisely.

Reforming USAID's business systems is one of the most important keys to improving our performance. For that reason, we have established a Business Transformation Executive Committee (BTEC), based on best commercial management practices, to oversee our management initiatives and investments. The BTEC is chaired by USAID's Deputy Administrator and comprised of senior executives from each of our bureaus. Its goal is to set an aggressive pace in developing plans to overhaul and modernize the agency's core business systems.

In the area of Financial Management, USAID plans to enhance the core accounting system, installed last year in Washington, to provide more accurate and timely financial information, and improve accountability and regulatory compliance. In fiscal year 2001, we were able for the first time in five years to produce an audited financial statement. Our work in fiscal year 2003 will build on this and support expansion of our accounting system overseas.

In Human Resources Management, we will expand the agency's talent pool by increasing the recruitment of junior-level Foreign Service professionals and focusing on key skill areas in the Civil Service, such as procurement and information technology. We will also use recruitment and retention incentives to increase and stabilize on-board staff levels.

In Information Technology, we will improve our systems security in order to reduce the likelihood of unauthorized access. Upgrades in IT software and hardware will support the expansion of the Phoenix Accounting System overseas and ensure that the benefits of e-government reach all parts of the agency.

In procurement, in addition to the new, automated contract writing system we implemented last year, we are preparing a competition plan to facilitate outsourcing of selected functions currently carried out by USAID staff. Procurement training for both USAID employees and partner organizations will be expanded to improve the quality and consistency of our procurements.

In Strategic Budgeting, we have consolidated the budgeting function into the Policy and Program Coordination Bureau to link resources more closely with policy priorities.

In the area of performance measurement and reporting, we are streamlining, simplifying, and improving our annual reporting process beginning with our field missions and operating units through to our Agency-level reporting. The result will be an improved ability to collect and report on performance and relate it to budget requests and future allocations.

Agency Reorganization.—As part of the management reforms that I discussed at length with this Subcommittee last May, we have reorganized our internal structure, creating three technical pillar bureaus. These are:

- The Bureau for Economic Growth, Agriculture and Trade allows us to concentrate our programs on the economic issues of globalization, trade capacity building, and agriculture. The bureau also has central responsibility for our environmental protection, women in development, and education programs.
- The Bureau for Global Health gives greater focus to evolving health issues, especially HIV/AIDS and other infectious diseases. This bureau will be our technical leader for all of our traditional health, nutrition and family planning programs including those that address maternal and child health and infectious diseases.
- The Bureau for Democracy, Conflict and Humanitarian Assistance allows us to maintain our focus on democracy, while tightening the links between these related issues, as the number of collapsed states, violent internal conflicts and complex humanitarian emergencies grows. Our current conflict prevention task force, which leads the conflict prevention, management and resolution initiative announced last year, will be folded into this bureau later this year.

At the same time, we have also initiated a new business model, called the Global Development Alliance (GDA). When USAID was founded 40 years ago, Official Development Assistance (ODA) comprised 70 percent of all U.S. financial flows (foundation grants, university programs, diaspora remittances, and private capital) to developing countries. Today, they comprise 20 percent. This means that we have had to change, as well. With the formation of the GDA last year, we have now begun that process.

The GDA should improve our effectiveness, through better and increased collaboration with private sector, government, and non-governmental organization (NGO) partners. It signals a new era of cooperation where we work together to get projects accomplished on a larger scale than USAID could do with only its own resources.

You will note that this budget requests a streamlining and simplification of the rather complex 150 account. This merges Development Assistance with Child Survival and Health into one unified account. Let me emphasize that this does not imply any decrease in interest or funding for our global health programs. Indeed, we will continue to report on our Child Survival and Health programs as part of our Global Health pillar.

In conclusion, Mr. Chairman, I would like to assure the Congress that USAID's budget request for fiscal year 2003 rests on a solid foundation of professional analysis and a strong commitment to performance and management reform. We know it is impossible to satisfy everyone who looks to us or to address every problem that arises. We have spent many hours trying to determine the best use for our resources and have had to make many painful choices. I hope my remarks today have been helpful in explaining our priorities.

Thank you.

Senator LEAHY. Well, let me ask you this, and then we will go to the other Senators for their questions. It is interesting how life has changed around here since September 11. It used to be a time, I know when I first came to the Senate the big thing was to go home and go to the Rotary Club and the Chamber of Commerce and all and say, I am not going to send any of your tax dollars overseas because, after all, what do those people do for us. Now there is far more of a realization that it is an interdependent world, and we have to be involved. We have to be involved in foreign aid

doing something more than just selling our products abroad through export assistance.

I have a letter where 30 Senators, Republicans and Democrats, called on the chairman of the Budget Committee to increase spending on foreign affairs programs. I will put that letter in the record.

[The letter follows:]

U.S. SENATE,
Washington, DC, February 14, 2002.

Hon. KENT CONRAD,
Chairman, Senate Budget Committee,
Washington, DC.

DEAR MR. CHAIRMAN: As you begin work on the Fiscal Year 2003 Budget, we urge you to support significantly increased foreign affairs funding as a necessary and effective tool to promote U.S. national security interests around the globe. Given the new realities of the post-September 11 world, we strongly believe that combating poverty and promoting democratic government are both vital strategic objectives and moral imperatives for the United States.

For decades, foreign affairs programs have advanced U.S. national security interests by strengthening democratic institutions and market economies. Nevertheless, at a time when those interests are most threatened, our foreign affairs budget is barely 0.1 percent of GDP and less than one percent of the overall budget—with development assistance less than half of that. These percentages place the United States last among G-7 countries.

Today, a third of the world's people barely survive on \$2 per day. Just as we must have adequate resources to preempt and respond to terrorist attacks, so too must we address the conditions that foster terrorism: widespread illiteracy, hunger and disease, and the lack of access to democratic institutions. An increase in the foreign affairs budget, with a focus on programs to combat poverty and strengthen democracy, will help save lives and provide economic opportunities through improvements in education, health, shelter and food security. It will also provide the United States with reliable partners committed to combating international terrorism, narcotics trafficking, and the spread of weapons of mass destruction.

In the wake of the September 11 attacks, we have a unique opportunity to rededicate ourselves to the cause of promoting peace and stability abroad, building respect for America and our values, and protecting vital U.S. national security interests. We must not let our foreign affairs budget continue to fall short of what is needed. Moreover, we believe that there are sufficient resources within the \$2.13 trillion budget submitted by the President to support significantly increased amounts for foreign affairs funding.

We appreciate your attention to this request and we look forward to working with you.

Very respectfully yours,

Dianne Feinstein; Mike DeWine; Patrick J. Leahy; Lincoln D. Chafee;
Christopher J. Dodd; Daniel K. Inouye; Mary L. Landrieu; Arlen
Specter; Jeff Bingaman; Bob Graham; Richard G. Lugar; Joseph I.
Lieberman; Gordon Smith; John F. Kerry; Robert G. Torricelli; Paul
Wellstone; Daniel K. Akaka; Barbara Boxer; Russell D. Feingold;
James M. Jeffords; Herb Kohl; Richard J. Durbin; Maria Cantwell;
Debbie Stabenow; Harry Reid; Jon S. Corzine; Patty Murray, Bar-
bara A. Mikulski; Edward M. Kennedy; and Susan M. Collins.

Senator LEAHY. Britain and key United States allies have been pushing the industrialized nations to increase spending on foreign aid. In testimony before the Senate Budget Committee, Secretary Powell stated the idea of tripling foreign aid is not a bad idea. I agree. I cosponsored a resolution by Senators Feinstein and Gordon Smith, and others, to triple it. Given the Secretary's comments and the support in Congress why doesn't the administration do that? Does the administration have any plan to request additional foreign aid funding in a supplemental this year? Could USAID spend more? Could you effectively spend it?

Secretary Powell seems to think that the State Department could. If the administration asked for more money, could you handle it?

Mr. NATSIOS. Yes. Is that a clear answer, Senator?

Senator LEAHY. It is. Is the administration going to ask for more money?

Mr. NATSIOS. Senator, I am very optimistic about that, but it is not my job to announce supplemental budgets, and so I just want to say I am optimistic, I am smiling now, I am in a good mood, especially after what has happened in the last 2 weeks, but it is not my job to be announcing anything. I suggest we wait to see what OMB and the President proposed, and what the Congress disposes to do, and then I will spend the money that I get, happily.

And let me just add one thing, Senator, the accounts that the money goes into has a profound effect on what we do or do not do. There is not a huge—and I want to keep saying this, but the problem is, we do not always get the money in the accounts that the mission directors and the countries tell us they need the money in. If you ask most leaders, prime ministers, presidents, finance ministers, trade ministers, forget the agriculture ministers, in Africa, and you ask them what they want more money in, more than anything else, they will say, agriculture. Almost everyone, to a person, will tell you that privately, they will say it publicly.

If you ask the Afghans—I asked Chairman Karzai—he has become a friend of mine. I spent a number of hours with him in Kabul. I traveled back on his plane to the United States, when he appeared before you for the State of the Union, and he said, this is an agricultural economy. Eighty percent of the people live in rural areas. Seventy-five percent of the people are farmers.

Senator LEAHY. In fact, I had a chance to chat with him in your office.

Mr. NATSIOS. That is right. You came to that, Senator. Thank you for doing that. But it is very important the accounts into which this money goes, because sometimes countries will say, we do not need more spending in this area, we need it in this area instead, and the way in which Washington works is not always what is reflected in the reality in the field. I just want to add that. I am sorry, Senator, for interrupting.

Senator BOND. Thank you, Mr. Chairman. This is exactly where I wanted to come in with my comments. I know Ambassador Zoellick was in Africa recently in a broad range of discussions about strengthening our alliance. We know, and you have stated very clearly the problem of feeding the hungry people in Africa.

I have visited Asian countries like Indonesia and found out how much they need our agriculture, specifically biotechnology, genetic engineering. I have been visited by officials from Nigeria, South Africa, Zimbabwe, all talking about the need for GMO technology. One of the most articulate and impressive, Dr. Florence Wombugu of Kenya said, in Europe or the United States, GM food sounds like a luxury, but for people in poor countries it is the difference between a square meal and starvation. She is the daughter of a subsistence farmer, went into agricultural research, and she said a hungry person is not a myth, it is a person I know.

She was asked: “why not the green revolution,” and she said: “Well, GM is better for Africa, the green revolution did not really work in Africa, because it was alien. It came from the West. We had to educate farmers in the use of fertilizers. But transgenic crops can get around this because the technology to control insects, for instance, is packaged in the seed.” I think one of the most telling statements she made is that in Africa GM food can literally weed out poverty.

In Europe, some people oppose crops with herbicide genes. Now, in Africa, most weeding is done by women, 50 percent of women’s labor in Africa is tied up with weeding. Reducing that would have a major impact in developing countries. Food is getting cheaper because they use more and more technology, but in tropical Africa it is getting more expensive, because it is all manually produced. People with a small salary spend most of it on food. If we can increase food productivity in rural areas it will bring the price of food down, generate more money for investments to turn the wider economy around.

And as far as why Africans do not want to get fertilizers and irrigation, she said: “I think that is like saying Africans do not need aircraft, we should go by road—we do not have either one—or that we should be denied computers until everybody has bought a typewriter and mastered it. Africa wants to be part of the global community. They want to be able to use the new technologies.”

Do you disagree with what I have just said?

Mr. NATSIOS. Senator, I agree with every single word you just said, and in fact it sounds like you just read our agriculture strategy paper.

Senator BOND. Well, I just read your testimony. I will be darned if I can find a single word in there about biotechnology and the importance of using GM to deal with the viruses in the sweet potatoes and the tubers.

Mr. NATSIOS. I did not put all our strategy papers in here, because it is a limited document. I would be happy to send you a copy of our strategy paper. The essence of it, Senator, is that we can use science to end hunger in Africa.

Senator BOND. I agree 100 percent. This subcommittee has provided you money for putting biotechnology to work in the developing world. How is it going? Are you getting it out there? For a while there it was not going out, and you and I had a discussion about the problems. Are you getting it out now?

Mr. NATSIOS. We are getting it out, not as fast as you would like or I would like, but there are capacity problems in some countries to accept this.

There are six elements to our strategy. One of the elements is GMO science being used in the field, another is to train a new generation of agricultural scientists in Africa and South Asia in order to administer this. It is not a function simply of getting the seed out or the tubers. We have to get scientists to understand how to use this effectively over a longer period of time.

Senator BOND. That is the other element. One of the most important things they are doing at the Danforth Plant Science Center in St. Louis is reaching out to train the best and the brightest from all these countries so that the specific applications of biotechnology

can be adapted to their countries. We want them to have the trained scientists so they can judge the safety of all GMO products for themselves, so they do not have to say, well, the USEPA or the USFDA or the USDA judged it to be safe. They can say, we here in this country, your countrymen, have the science. We know. We can assure you it is safe.

To me, education, sharing technology, training people in these countries, not just to use the genetically modified products, but how to improve them, to adapt them, and to judge them is the most important thing we can do, and I appreciate very much—I was a little concerned when I did not hear anything and when I did not read anything, but if you could give me a list, a description of the new projects funded, and a sense of what the unmet needs are, we will do everything we can to help you.

I hope to be able to visit some of those countries.

Mr. NATSIOS. We can give you a list, Senator. I just opened a biotechnology research center in Cairo. We have a very large program there. The minister of agriculture is a visionary figure in this whole science area. He and I opened it together about a month and a half ago, and they are doing some very exciting research that is improving Egyptian agricultural production.

Let me just tell you one great story on this whole issue of improved varieties in Uganda, a thing called the cassava mosaic. It is sort of like a parasite that attacks the cassava crop, which is, of course, a root crop, that in many areas of Africa is the primary source of starch. Uganda produced about \$250 million a year of cassava. They went down in 18 months to \$3 million a year, because of the cassava mosaic attacking the crop.

We introduced through USAID, I believe it was a genetically modified, but I am not certain—it was either improved variety—I think it was genetically modified, and within 18 months we had production back up, working with the minister of agriculture, to \$300 million a year, which was bigger than any time in the past in terms of production.

We introduced the same technology as my first act in May of last year, because these same mosaic was attacking crops in what is now the Democratic Republic of the Congo—it used to be Zaire—and in Burundi, and in Rwanda, and it is devastating whole areas of those countries, so we have now introduced that genetic variety of cassava that is resistant to the mosaic, in the Congo, and production is beginning to slowly recover from the damage done.

If we did not have this kind of research and science, Senator, we would not be able to save these people, because they are very good farmers, but they do not have the benefit of these research centers that we do here.

Senator BOND. Well, Mr. Administrator, we would like to invite you to come out to the Danforth Plant Science Center, because we are doing those things. We could tell you the stories about the cotton farmers in China, where all of a sudden cotton production has become profitable again, because of BT cotton. South Sulawesi in Indonesia has come back, and the cotton farmers are now making enough money to feed themselves, their families, and strengthen the community. We can do the same thing around the world.

One of the stories—and I will not impose any more on my colleagues' time. One of the stories that is fascinating is the prospect that we can genetically modify a banana, for example, to carry the vaccines that are needed to prevent some of the most devastating illnesses that affect the smallest children in many developing countries.

When I told a good friend of mine who is a high official in the government of Singapore, he said, oh, I believe in genetic engineering, but do not tell me a fantasy story like that, because it will not be believed. Well, it should be believed, and we will be able to do it. We look forward to working with you.

Mr. NATSIOS. If I can just add one more story on that subject, Senator, which is one of the most exciting areas, we know that vitamin A has a profound effect on blindness—

Senator BOND. The beta-carotene-enriched, and we gave you \$5 million to put into that.

Mr. NATSIOS. We have put the money into it, and we are very excited about the prospectives, because it combines child survival and child health with agricultural production.

Senator BOND. We are going to be coming to you with, we could add vitamin A to soy oil for Nigeria.

Mr. NATSIOS. And India.

Senator BOND. I would yield to my colleagues on the other side.

Senator LANDRIEU. I thank the Senator for those remarks, because there are so many promising technologies in that area, and we should be certainly open to research and development, because it can help skip many generations of farming practices with what we know.

I am going to be very brief. I have just got three questions, and I would like to submit some more in writing, but in the President's State of the Union I was so pleased that he recognized the ministry of women in Afghanistan. Could you comment for the record, because I was not able to see from the documents provided any funding that will be going directly to the ministry for women in Afghanistan.

Mr. NATSIOS. Dr. Zamar, who was the lady you are speaking about, she is the vice chairman of the interim Government. She is a medical doctor. She headed an Afghan women's NGO that, I might add, even when nobody knew about it, the USAID was supporting in the late nineties, and so we provided assistance to her NGO. In fact, I think we are one of the few donor countries that did that, but she remembers.

She came and visited me. We had a very good discussion, and I am pleased to announce that we are providing a \$60,000 grant through IOM to reconstruct the women's ministry, which is her ministry in Kabul. The ministry right now is sort of basically blown up a long time ago, in the mid-nineties. She has no building to house her staff, and we are going in now to reconstruct it, so that is the first thing, because she said, if I do not have offices, we cannot run programs.

Senator LANDRIEU. What are the commitments, besides the rebuilding of the building, that have been made to her and to the women's ministry?

Mr. NATSIOS. She has requested we provide grants to a number of women's, Afghan women's NGO's. They are indigenous NGO's. They are not hers, they are other women's NGO's, and I think three grants were made in the last 3 weeks to these NGO's. I can get you a list and tell you what—they are in capacity-building, in training. One of them is a grant to produce a newspaper that will have a focus on women's issues that will be available in the large cities.

Senator LANDRIEU. Let me ask the question this way. Could you give us a general idea of the amount of money that is going to be going to aid to Afghanistan, and what percentage will be given through the women's ministry, approximately, just if you can round it off?

Mr. NATSIOS. I can tell you how much we are going to spend, and how we are going to spend it. We do not break down our budgets based on how much money goes through the ministries per se, and the reason that that is the case is, many of the ministries do not have budgeting systems yet in order to actually spend money. There are no bank accounts. There are no banks in order to actually move the money around.

Kabul is still recovering from 10 years, 20 years of war. They have not recovered, and so the ministries, what we are doing is, we are using international organizations, and NGO's that are already there that have an infrastructure and a track record that the ministries are comfortable working with. If they are not comfortable working with them, we are not going to give the grants.

So we will work with the ministries to decide how the money is programmed, and our mission director, Jim Kunder, who I was just with 6 weeks ago, is spending a lot of time working with the ministers in the interim Government on this.

Now, the second thing is, the money will not necessarily go through, let us say, the women's ministry, even though it will affect women profoundly, and I will give you one example. We decided one way we could contribute to the reintroduction of women in a very visible way into Afghan society was through the schools. Why is that? Two-thirds of the teachers in Afghanistan who are trained as teachers are women, and schools and education is an obsession with Afghan families. They want their kids in school. Even the kids want to be in school, which is something I would like to bring them over and teach our kids about.

Senator LANDRIEU. They could spend some time with my children.

Mr. NATSIOS. I know the problem.

So we asked women, what is the best way to do this systematically, not in a few grants, but how could we bring thousands of women in a visible way back into Afghan society? It is through the schools, and I visited in my last trip 6 weeks ago the schools of Kabul, and most of the teachers were women, and what we are doing is two things.

We have made a \$6.5 million grant to the University of Nebraska to print 10 million textbooks in Dhari and Pushtun, the two major languages, of 127 different texts. Half are in Dhari, half are in Pushtun. They are being printed literally as we speak right now, in printing presses on the Afghan border with Pakistan in

Peshawara, and they will be distributed—school starts March 22. They will be distributed, 4 million of them we hope will be distributed before school starts in a month.

The second thing we are doing with respect to this grant is teacher training. Many of the women said, look, we have been not allowed in the classroom for 8 years, we need to be trained—and many of them were trained in the old Soviet system of education—we need, would like western training in how you teach in the West, not just rote teaching, and so there are 20 teams of five professors going out to do teacher training in the local languages, and they will teach trained master teachers in the schools to then retrain the teachers in each of the local schools, and that is being organized.

Senator LANDRIEU. I thank you for that testimony.

Mr. Chairman, I was pursuing a line of questioning, remembering that the President was good enough to acknowledge the head of the Afghan women at the State of the Union speech, Dr. Zamar, and I am going to be very interested to see that commitment to recognize her is also followed up with commitments of resources to strengthen the women's ministry to give them financial resources so that ministry can be seen as a very powerful tool for reform, and that it will give them some flexibility as to how to invest those dollars for the strengthening of women, because our entrance into Afghanistan was for many reasons, but I think in the minds of the American public, the oppression of women there was one of the reasons that this country—not the only, but one of the reasons this country felt so strongly about its efforts.

Let me go on to my next two questions, very briefly.

Mr. NATSIOS. If I could make one comment, the best way to judge how we do this is to call Dr. Zamar in 6 months and see what she says we are doing for her.

Senator LANDRIEU. I will follow up on that. The next question is about the institutionalization of children worldwide, and I just would urge you, I am going to send some information to USAID, because I think you all can be very, very helpful in this regard.

The United States just passed the Hague Treaty, one of the first international treaties on adoption that recognizes children have a right to be with the families to which they are born, but if war, famine, disease, or alcoholism or other things separate them from that family, the our goal now, the worldwide community, is to try to place those children with another family, because children cannot raise themselves. They do not do a very good job on the streets or in institutions.

And so I would urge USAID, and I am going to send some information about progress that is being made in terms of using our resources to facilitate the strengthening of families, connecting children with families, kinship adoption being our choice, and if not, then adoption with some other—some societies and cultures have a very effective and informal way, and others have a long way to go, and I think with USAID, one of the best things we could do is to connect each needy child with a family, and then, of course, support that family unit for economic development, so I am going to send some information on that.

Mr. NATSIOS. You have just described, Senator, our policy, which is longstanding. We try to avoid institutionalization of children in the developing world. It does not work very well. In many cases it is a disaster. In most traditional societies adoption is the preferred system. In fact, it was in the United States, too, I might add. In my home town of Hollister, that is how we handled problems with families 100 years ago is, they were adopted informally, without going to court, frequently, and many kids I went to high school with went through that system, and they were very well brought up. I think we should go back to a system like that.

That is a domestic issue in Africa. There is a long tribal tradition of bringing children in whose parents have died. We do have a big problem. Our biggest challenge right now is AIDS orphans. We are facing massive destruction of families, where a grandmother is handling or bringing up 20 or 30 grandchildren.

Senator LANDRIEU. I would like to help with that.

I see my time is up. Thank you.

Senator LEAHY. Senator Durbin.

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

Mr. Natsios, thanks for joining us. I have listened to your statements about the AIDS epidemic facing our world, and I think we share the same view. The statistics I have heard, and I hope that they are accurate and I would like to put them in the record, is that we currently have about 37 million HIV-positive people in the world, and about, roughly 15 million USAIDS orphans in Africa. By the year 2005, there will be 36 million HIV-positive cases in India alone. You have mentioned Russia as another country.

Mr. NATSIOS. Do you mean 36 million?

Senator DURBIN. 36 million. That is the number I have been given. I will certainly look into it to make certain that is accurate before I leave it in the record, but regardless of the exact numbers, I think we share the view that this is a global emergency. Do you agree with that?

Mr. NATSIOS. Absolutely.

Senator DURBIN. You have said here today you are willing to spend the money we send you, and I am more than happy to help in that regard, but the tougher question I have to ask you and Secretary of State Powell and the President is whether you are willing to stick your neck out and designate as an emergency your request for funds to fight AIDS. That is what this is all about, particularly when it comes to the global fund.

Your funding is good in terms of bilateral aid and such. When it comes to the contribution to the global fund, an effort inspired by Kofi Anan and others to bring civilized countries around the world to address this epidemic, your request is woefully inadequate, not even close to the billion dollars that many of us think would be a bare minimum what the United States should put on the table. The only way we can reach the \$1 billion figure is if you are willing to stick your neck out and say, AIDS is not only a global emergency, it is a budgetary emergency. Will you do that?

Mr. NATSIOS. Well, let me first say that I think if we put all of our humanitarian eggs in one basket, we may kill a lot of people. The global fund is one of several mechanisms through which we need to work. It is untested. I believe it is going to succeed. In fact,

USAID is providing the primary staffing right now for the global fund administrative staff. They are from USAID. We seconded them there. Sixty percent of their administrative budget to get this thing running is from USAID's budget. We gave them the money, so we take it very seriously.

We support it. It is yet untested. Some international trust funds have had very great success, others have been a disaster, and I could go through and give you specific examples, but this is the point, and let me just say—

Senator DURBIN. If your answers are too long I will only get two questions. If you could come to the point.

Mr. NATSIOS. The point is, we cannot put all of our financial resources in the trust fund. I think it would be a disaster to do that.

Senator DURBIN. Let me just ask you this. Have we learned anything in Africa over the last 12 years about effective ways to fight AIDS?

Mr. NATSIOS. Yes.

Senator DURBIN. Sure we have, and Uganda is a good example, and you are suggesting now that the idea of an international trust fund to fight AIDS is going to embark in uncharted and uncertain territory.

Mr. NATSIOS. It is an administrative matter, not in terms of the program in the field. We know it works. The question is, how fast they can move the money.

Senator DURBIN. So it is a question of getting the bureaucratic side of it working?

Mr. NATSIOS. When you are dealing with 40 countries putting money into a fund, you know what we have to do, we have to set up separate accounts for every country in this fund, because they all have different legal restrictions on how that money can be spent. It is much more complicated and managerial than we thought it would be.

But let me just say, we are asking for a lot more money for our bilateral program. Our bilateral program is already in place, it is already working, and if you ask African leaders who is providing at the forefront, who are the storm troopers against HIV/AIDS outside of their country, they are not going to tell you about any trust funds. They are going to say the USAID program.

Senator DURBIN. I have been there, I have spoken to them, but you and I would readily concede that if this is a global emergency that threatens in terms of lawless nations breeding violence and terrorism, in terms of starvation and deprivation, that our bilateral aid commitment is hardly adequate to the need, and to suggest that we are going to hold back on this global fund until some group—

Mr. NATSIOS. We are not holding back, Senator. We are not holding back. I am simply saying that what I thought you were—or maybe I misunderstood what you said—is, you seem to say you want to put all of our funding into the trust fund.

Senator DURBIN. No. I am asking whether you are willing to increase your, what is it, \$100-million commitment to the global fund.

Mr. NATSIOS. The fund, over 2 years the commitment is \$500 million.

Senator DURBIN. I would just suggest—

Mr. NATSIOS. I am suggesting, if there is going to be an increase beyond that, it should be in the bilateral program. I would disagree with you if you are suggesting—

Senator DURBIN. In other words, you are opposing the request by Kofi Anan to create this global fund?

Mr. NATSIOS. Absolutely not. As I just mentioned to you, Senator, we are leading the charge to help them succeed, but there are other mechanisms to fight the disease. We have been fighting this disease for 15 years, long before any global fund was created. We have the programs in place right now where, because you gave us more money this fiscal year, we are able to scale up to major national programs in 22 countries now, and I appreciate your giving us the support and the resources to do that.

Senator DURBIN. Let me just suggest to you that I think we have done a great deal, but you have to concede that the scope of the challenge is growing geometrically, while our commitment is growing arithmetically.

Mr. NATSIOS. Our commitment is growing geometrically. There has been a 500-percent increase in funding for HIV/AIDS by the U.S. Government since 1998. 500 percent is not an arithmetic increase.

Senator LEAHY. But with the most significant increases being pushed through by the Congress.

Mr. NATSIOS. But, Senator, we proposed a large increase ourselves. I think it is a little unfair to argue that all of this increase is because of the Congress. We proposed the increase before the Congress mentioned the issue last year.

Senator LEAHY. Not really. I can show you an awful lot—

Mr. NATSIOS. I have to disagree with you.

Senator LEAHY. I can show you an awful lot of speeches by Members of Congress proposing it, and we had to fight the administration's lobbyists to get to the level of money that was appropriated last year.

Mr. NATSIOS. Senator, we asked for a large increase. We are spending almost \$1.2 billion on this. That is not a small commitment. That is a huge commitment. I might add, a third of all—

Senator LEAHY. It is almost 1/1,000ths of our budget.

Mr. NATSIOS. The money we need to spend on this, the principal donor is the U.S. Government, a third of all the money spent.

Senator LEAHY. What is the wealthiest Nation on earth?

Mr. NATSIOS. Senator, a third of all the money spent worldwide, including health budgets in the third world, a third of it comes from the U.S. Government.

Senator DURBIN. If I could reclaim my time.

Mr. NATSIOS. This is a little unfair in terms of the facts.

Senator DURBIN. Let me suggest to you our heart is in the right place, but our pocket book is not.

Mr. NATSIOS. That is not true.

Senator DURBIN. Excuse me, sir, I would like to have an opportunity to speak. I am glad you are here, but if we are going to make a commitment, please concede that when you come before us with great pride in the American commitment to foreign assistance, when it is less than one-half of 1 percent of our budget, when we

are dealing with a global AIDS epidemic which is probably as great a threat to the security of this world as terrorism, that clearly there is more we can do, and when the Secretary-General of the United Nations tries to rally the United States to please lead in creating a global fund, and we have managerial administrative problems in dealing with this, I sit here and wonder how many more people will die while the bean-counters push them across the table.

Mr. NATSIOS. Senator, to be fair to you, we have staff in the field that work round the clock on this now. Now, the reason I am a little angry is, it looks like you are criticizing our program.

Senator DURBIN. I am.

Mr. NATSIOS. Because the program is being successful.

Senator DURBIN. I am criticizing it not because of what we are doing, but the scope of our commitment.

Mr. NATSIOS. The scope of the commitment is massive. I might add, the problem is—

Senator DURBIN. In comparison to the problem, is our scope massive?

Mr. NATSIOS. Kofi Anan has said the amount of money needed is between \$7 and \$10 billion. We do not know precisely how much. We are \$1.2 billion of that \$7 to \$10 billion. This is of all donor Governments in the world, and all third world Governments in the world.

Senator DURBIN. We are going to leave this subject, because you and I—excuse me. We are not going to come to an agreement on this. I do not question what we are doing is good and important. I have seen it, I have been there, you have, too, but I hope that in your heart of hearts, tonight before you turn out the light and go to sleep, you will at least concede that this problem is growing much more quickly and rapidly than our response is.

Mr. NATSIOS. USAID in the last administration—I would like to take credit for it, but it was Brian Atwood who did this. When the scale-up began, we went through all of the Federal procurement statutes to see if there was a provision that allowed us to waive all those statutes in order to procure without going through the long process we normally do. He established the process for doing that, and we have permanently on record now a waiving, because it is an international emergency.

As far as I am concerned, the AIDS pandemic is like a famine. Every month that goes by, more people get infected and will die from it, and so we have moved very rapidly in order to address this. One of the issues is, in many of these countries, is the health care system in many countries is very weak.

Senator DURBIN. I am going to interrupt you, because I would like to ask another question, and we can spend time and have a long conversation about this, but let me ask you directly about the food aid. There are two parts of the food aid request that you bring to us that trouble me. The first is the elimination of surplus commodities in food aid. Understanding, as you do, and we do, that the use of surplus commodities is primarily a budget tool, a way to put money into food assistance so that we can account for it here on Capitol Hill without deepening what we are now facing in deficit.

You have made, the administration has made a policy decision to walk away from surplus commodities. The question I have to ask you is, what is the net impact on food assistance? Will we have more or less because of that decision?

A second question, Senator Leahy and I share a conviction and a feeling that our former colleagues, Senator Leahy and people who served here in the Senate, Senators McGovern and Dole, had an extraordinarily good idea in this global food for education initiative. There was a commitment of some \$300 million by the Clinton administration, there were moneys to be spent this year, and you have eliminated funding for it in your budget.

This money, which would try to provide in third world countries one nutritious meal a day at schools, I think is absolutely essential for many of the reasons you testified to. We know providing a meal at school will attract more students, and particularly more young girls, and I hope you will concede that if you want to measure the potential of a country to deal with social problems, look at the role of the women.

If women are treated like chattel slaves and property, the worst is yet to come. By educating women we know that we give them a chance to have not only good self-esteem and more skills, but smaller families and smaller problems in the future. As you walk away from this commitment to this global feeding program for schools, I am afraid we are going to aggravate the problems that we all agree are part of what we face in this world, and I would like you to respond.

Mr. NATSIOS. Well, the first is that the surplus food, the 416(b) account, which I think, Senator, is what you are speaking to, which is an Agriculture Department account, not a USAID account, was established many years ago, but was unused for much of the 1990's. In other words, that account was zero for, I think, the mid-1990's.

I think it was in 1998 or 1999 that because of the collapse of the Asia economy, and our exports were diminished, we had large surpluses. They decided to announce a huge—I think it was 3 or 4 million tons of surplus. I do not remember the exact amount, but it was a very large amount. Those stocks have been drawn down now, and it did have an effect. I have to say we may have sent too much food into some countries, because there are limits as to what you can do before you adversely affect the agricultural economy, and we had many complaints that too much had gone into some African countries, and farmers were telling me, you guys are hurting our markets here.

What has been done in this budget is actually a good thing from my perspective, and I have a little parochial interest in this, but I am very big on food aid, because I managed the food aid budget in the first Bush administration 10 years ago, so I am a very strong advocate of food aid. This is the largest increase in title II I think we have ever had. The account this year is, I think, \$816 million, \$820 million for title II. We propose in the 2003 budget for title II—it is not before you, it is before a different committee—\$1.15 billion. It is a \$335-million increase in title II, which is I think about a 60-percent increase in the budget.

Senator DURBIN. So the net food aid commitment of this budget is greater?

Mr. NATSIOS. Of title II. The title 416, which is the surplus food, has gone down. That is going down.

Senator DURBIN. But the net food aid commitment in this administration's budget will be larger or smaller than the current?

Mr. NATSIOS. It will be smaller, because the surpluses have been brought down, but the agreement we made—

Senator DURBIN. So the food requirements of the world have diminished since this fiscal year?

Mr. NATSIOS. The food aid requirements were not what drove the 416(b) account. Surpluses in the United States drove it. The amount we requested that OMB gave what we asked for, I said we cannot survive in 2003 by eliminating 416(b) and not putting anything in place, so the agreement was, as the surpluses draw down, we need some of that—we need to keep some of it in title II for the Afghanistans of the world, when they take place. I mean, there is a drought, 4 years of drought.

Senator DURBIN. You do not quarrel with the conclusion?

Mr. NATSIOS. There is no quarrel with the conclusion.

Senator DURBIN. The net food aid in your budget request will be less than what we are currently sending out into the world today?

Mr. NATSIOS. That is correct, but I might add, we did not need all of that food in my view, and I think it was destructive to have so much of it in the developing world, and I think there is widespread agreement on that, I might add, in the community.

Senator DURBIN. What about the food for education?

Mr. NATSIOS. The food for education is not a USAID fund. We run food programs in our school programs in many countries right now, and so we can tell you from 40 years of experience that it is a good idea to combine primary education in poor areas with a school lunch program, because it increased particularly girl-child participation rates.

If the parents know their kids will eat, they tend to send particularly the girls, and keep them in school. Many of them will drop out after 1 or 2 years, so it makes great sense, and we have case studies to show that, and our staff has been running those programs long before the program was created.

Let me add, however, in some areas there are no roads to move surplus food to. I mean, we run school programs in areas there is no way to get surplus food to, so one of the things we sometimes do is, we multiply the number of kids in school and then say, well, that is how many tons of food we need. Some areas, there are no roads to move surplus food to. Forty percent of the cost of our food programs are transportation.

Senator DURBIN. But all PVA food aid under this budget is going to go through your program?

Mr. NATSIOS. No. I'm not an expert in the Agriculture Department budget, which they run and not me, but I think food for progress has \$100 million in it for next year. That is a standing account.

Senator DURBIN. I have gone way too far on my time, I apologize to the chairman, but I sincerely hope that when we sit down and deliberate this budget, Mr. Chairman, that the premise that we

need less food aid in the world is at least explored, if not challenged, and I sincerely hope that this school feeding program, which I believe you share the same feeling I do on—

Senator LEAHY. That is Senator Dole's and Senator McGovern's initiative.

Senator DURBIN. It should not be zeroed out. I hope we can find a way to cure that.

Thank you, Mr. Chairman.

Senator LEAHY. I appreciate it. I think both Senator Dole and Senator McGovern, two men greatly respected by their colleagues up here, demonstrate this is not a political or a partisan issue.

Mr. NATSIOS. It is not, Senator.

Senator LEAHY. Liberal, conservative, Democratic, Republican, they are both Senators who have great respect in this area. We could argue about who gets credit for what, but I am still more interested in what the bottom line is.

I would point out that last year the administration originally did not request funding for AID's global fund. I recall going down to meet with the President. Senator Frist came with me. We met with the President, Kofi Anan, Secretary Powell, Secretary Thompson, and President Obasanjo of Nigeria. Only then, did the administration submit a budget amendment, and it was in response to a great deal of congressional and public pressure. While I applauded the President in making that request, we then had to fight with the administration to make sure there was actually new money, and did not take money out of the same programs that you and I and Senator Durbin and Senator Landrieu and Senator McConnell and others support.

So let me ask you this. The budget request leaves the amount of assistance for Afghanistan to be determined. Does that mean you are going to find the necessary funds within your 2003 budget request?

Mr. NATSIOS. We—and I am quoting my boss now, the Secretary of State. We expect to spend the next fiscal year—not this fiscal year, the next fiscal year—\$300 million in Afghanistan, and we have identified \$100 million within existing accounts. We have not listed it per se. Some of it is title II, some of it is FDA, some of it is OTI, some of it is child survival money, up to \$100 million.

The others will come, and it is not my job to announce it, but I am happy with the way that is moving.

Senator LEAHY. Well, let me ask you this—

Mr. NATSIOS. Can I just add this, Senator, just so it is clear, and I do not want to confuse people, the \$296 million we pledged in Tokyo, that Secretary Powell pledged, is for this fiscal year only. We only made a pledge for this fiscal year, because we did not know what was going to happen next year.

Senator LEAHY. And where does that come from?

Mr. NATSIOS. It comes from partially food, partially money that was not spent by the PRM program. You remember, the \$40 million?

Senator LEAHY. He has identified the \$296 million?

Mr. NATSIOS. Yes. It was identified before we announced it.

Senator LEAHY. How many USAID staff are in Afghanistan now, approximately?

Mr. NATSIOS. Approximately 10, but I just want to say we have to live on the embassy compound. There are security problems.

Senator LEAHY. I understand that.

Mr. NATSIOS. We have to be very careful with that. We have had incidents, as you know. We do not want to have any more.

Senator LEAHY. I am concerned about the safety of our people working in Afghanistan. What size mission do you assume there will eventually be?

Mr. NATSIOS. We are expecting, in terms of Foreign Service Officers, perhaps eight Foreign Service Officers. There are a number, believe it or not, of Afghans who served as Foreign Service nationals on the USAID staff 25 years ago. They must have been very young when they left. They have come back, and reapplied. There are a number of Afghan doctors, an agronomist, who want to work for us, and we are taking applications now for that, and we will send in some personal service contractors.

Senator LEAHY. Some of us have aged over the last 25 years. We have \$296 million this year, \$300 million next year. How long do you expect we are going to be putting aid into Afghanistan?

Mr. NATSIOS. The United States or the world community?

Senator LEAHY. The United States.

Mr. NATSIOS. Well, I do not presume to predict what Congress and the administration will do over long periods of time, but I can tell you it will take at least 5 years to make a serious dent in the reconstruction of the country, and over the long term 10 years to bring Afghanistan back to a robust economy and a functioning state.

Senator LEAHY. I tend to agree with you. I look at some of the immediate needs—again, I was talking with Mr. Karzai in your office. There are some very immediate needs, such as paying government workers to open up the buildings. There are also critical security needs, including those involving the international peacekeeping force also known as ISAF.

There is a story in today's Washington Post about the need to expand this peacekeeping force. I believe that we are going to have to expand ISAF considerably, so that USAID and the State Department can carry out the kinds of humanitarian and reconstruction activities that are essential to rebuilding Afghanistan.

You talk about the people of Afghanistan wanting their children to go to school. But you have got to have security in order to have successful USAID basic education programs that allow teachers to teach and all children—boys and girls—to go to school. Given that security is so important to successfully implement many of the USAID programs that you have talked about today, I would assume that you anticipate that there is going to be a significant peacekeeping force there for sometime to come.

Mr. NATSIOS. This is somewhat out of my charge. However, let me make a stab at what you have asked, Senator, because I think it is a very good question.

There is clearly security issues in Afghanistan. They are very severe in some areas, and not so severe in other areas. It depends upon the area you are in. For example, right now, the northeast region is relatively stable. The Kandahar area in the south is very unstable. That, of course, was the center of Taliban control where

the subclan of the Pushtuns who dominated the Taliban come from. That is a very insecure area.

There are a couple of NGO's that have gone back into Kandahar, but there is some risk in it right now, so it depends upon the area you are in, and what we are trying to do is take advantage of the most stable areas to ratchet up our efforts to a high level.

I have said repeatedly on Voice of America and BBC and Pakistani radio that just as a warning, that if you want assistance in reconstructing your region, you, the local people and the military, the militias and that sort of thing, have got to provide the environment for us. Now, some people will listen to us, other people will not, which means some kind of force is necessary.

The discussion so far has been that the United States will help in training a military. As I understand it, some European countries have agreed to do the training for the police force.

Senator LEAHY. I think we all worry about repeating the mistake that was made when the United States and most of the international community walked away after the Soviets withdrew from Afghanistan. We all saw what happened.

Mr. NATSIOS. A terrible mistake.

Senator LEAHY. We must remain engaged in Afghanistan, and I expect that USAID will be there for years to come. I just want to make sure that they are able to safely and effectively operate throughout Afghanistan.

Now, turning to the bordering country of Pakistan, we provided \$600 million to a government that has not always followed the clear accounting methods of, say, a corporation like Enron.

Again, I am just a lawyer from a small town in Vermont, so I may not understand all of these sophisticated budget procedures used by USAID and the State Department. How do we keep track of the \$600 million that we provided to a notoriously corrupt government?

Mr. NATSIOS. Well, the \$600 million, Senator, that was approved for Pakistan is in budget support. We are not managing it as a USAID mission. In other words, it is not our job to manage project ties or establish a program for it.

What we did do in order to ensure that at least there are the standards of accountability that the Congress would like in terms of budget support is to arrange to have their debt payments made with this money so that the money actually never went to Pakistan per se, it went to the institutions to which it owed this money, and then money was freed up within the budgets and different accounts to be spent. We are monitoring—it is part of the agreement we have reached to monitor the spending of that money in the different accounts with the Government ministries, and we will do that.

Senator LEAHY. But you share my concern that it has to be watched very carefully?

Mr. NATSIOS. I certainly do, Senator, and that is no secret, that there have been issues in Pakistan and other countries before, and I am very big on accountability, because the one thing—I support foreign aid, or I would not be here doing this job enthusiastically, but the one thing that always undercuts us is accountability issues,

and so we have an obsession with focusing on that issue to the extent we can.

Senator LEAHY. And understand, Mr. Natsios, I do not expect every single program that USAID implements to be a 100-percent success. If every single one is an absolute success, then that tells me that we are not taking even measured risks to be innovative and, ultimately, more effective with our scarce foreign aid dollars. Obviously in some of these programs, you try some things, and find they are not going to work. You learn from that, and you do not make the same mistake twice. I think it is a very difficult job to be innovative but at the same time manage the risks to U.S. taxpayer's money.

I am concerned, again, as I stated before, that sometimes the United States tends not to do as much as we are capable of doing. Aside from foreign assistance, there are other areas where, even though we are the most powerful Nation on earth, we are not doing enough to lead. For example, on the issue of land mines, we have told countries they had better do something to ban land mines. All these nations signed the land mine treaty. All of our NATO allies, every single NATO country has except one, the most powerful one, us.

We take justifiable pride in the fact that we spend a great deal of money in removing land mines throughout the world, but I can tell you right now, the Congress pushed that program through.

Mr. NATSIOS. I recall the legislation you pushed through 10 years ago for a ban on land mines, which has been very effective.

Senator LEAHY. We have had to constantly push administrations, both Republican and Democrat in order to make progress on the landmine issue.

Well, I will submit my other questions for the record and allow others to do that.

I appreciate you being here.

Mr. NATSIOS. Thank you, Senator.

ADDITIONAL COMMITTEE QUESTIONS

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

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

QUESTIONS SUBMITTED BY SENATOR PATRICK J. LEAHY

USAID COMPLIANCE WITH SECTION 636(I) OF THE FOREIGN ASSISTANCE ACT

Question. Mr. Natsios, I am aware of the longstanding interest that Senator Levin has in USAID's vehicle acquisition procedures, and am asking these questions at his request.

I am informed that section 636(i) of the Foreign Assistance Act of 1961 requires USAID to ensure that "none of the funds made available to carry out this Act shall be used to finance the purchase, sale, long-term lease, exchange, or guaranty of a sale of motor vehicles unless such motor vehicles are manufactured in the United States." The Act also gives the President the authority to waive the provisions of this section.

Is USAID in compliance with this statute?

Answer. Yes, USAID is in compliance with section 636(i) of the Foreign Assistance Act.

Question. What mechanisms are in place to ensure that purchases made by USAID, its contractors, or its grantees comply with this statute?

Answer. The general USAID policy on motor vehicles is set forth in our Automated Directives System section 312.5.3(b). This section states that motor vehicles are restricted commodities, and that only U.S. manufactured vehicles are eligible for USAID financing unless an exception is authorized. Those exceptions are also set forth in that section. One of these is the need for a type of vehicle that is not manufactured in the United States, such as some types of right-hand drive vehicles. Another is the lack of parts and repair support in that particular country. Waivers can also be allowed for emergency requirements when non-U.S. funds are not available, and the requirement can only be met in time by purchasing foreign produced vehicles. USAID's contracts and assistance awards include this requirement. Every motor vehicle purchased with program funds, whether U.S. manufactured or foreign manufactured, must be approved by USAID. This gives us an extra opportunity to make sure that, if a foreign vehicle is being purchased, there is an appropriate waiver in place. Finally, most exceptions to the requirement to purchase U.S. vehicles are approved at the USAID overseas missions, where it is easier to assure that the criteria set forth for exceptions to the policy are met in that particular country.

Question. During fiscal years 1997–2001 did the President ever use his waiver authority to allow USAID to make vehicle purchases which were not in compliance with section 636(i). If so, what reasons did the President give to justify the use of his authority?

Answer. The Act permits waivers. Therefore, USAID considers judicious use of waivers to be in compliance with section 636(i). The President has delegated his authority to approve these waivers to the Secretary of State. In turn, this authority has been re-delegated to the Administrator, and then to the Assistant Administrators and Mission Directors. The reasons given to justify use of this authority are the same ones that are set forth in the Automated Directives System as acceptable reasons for waivers, i.e. types of vehicles not produced in the United States, lack of parts and service for U.S. vehicles, and emergency requirements.

Question. Has the Administration put forth a set of criteria under which the purchase of a foreign-made vehicle is justified?

Answer. USAID's policy includes a long established set of criteria for justifying the purchase of foreign-made vehicles. As mentioned previously, the criteria are set forth in the Automated Directives System. The Administration has not issued any new criteria.

Question. Have these standards been imposed consistently over the past decade?

Answer. Yes, they have. All waiver requests go through a clearance process to be certain that the justification is sufficient and meets the criteria set forth in the ADS section. All waivers require the clearance of a legal advisor, among others.

SUCSESSES AND FAILURES

Question. Like any CEO, I am sure you have had your share of ups and downs as USAID's Administrator—even after being in that job for only a little more than a year. What do you consider your biggest successes so far—it seems to me that one example is USAID's efforts to prevent massive starvation in Afghanistan, but what are some others? What are your biggest failures?

Answer. I believe that USAID has served American interests superbly in our fast and targeted response to Afghanistan and the frontline states. Because of USAID actions, we were able to avoid a famine in Afghanistan. We are now having printed and expect to deliver over nine million textbooks to get Afghan schools open next month. This is helping to bring peace to the Afghan people. We have initiated programs in Pakistan to assist the Government's plan to re-establish public schools and in Central Asia to work with the NGOs and local communities. We are also targeting unemployment and underdevelopment issues in Mindanao in the Philippines.

HIV/AIDS is another area where USAID is having success. USAID has become the world leader in addressing the issues of HIV/AIDS. The strategy we have developed and begun to implement can make a difference in reducing the spread of this disease.

In all of these programs, we have been given the resources to do the job and make a difference. In the areas of agriculture and trade, USAID has led the way in developing interagency strategies to address these critical issues in the developing world. Yet, I fear that we have not yet been successful in securing the resources needed to implement successful strategies in these areas.

SUCSESSES AND FAILURES

Question. Let me mention a couple of examples of where you have real work to do. One is in the democracy, rule of law, and governance area. I think USAID has a role to play here, as does the State Department. But so far USAID's track record is far from adequate. I think our staffs should work together to figure what USAID should be doing to promote democracy and the rule of law, how, and where. As you know, Senator McConnell and I plan a hearing on these issues for next Wednesday.

Answer. I agree that there is still room for improvement in our democracy and governance programs, including those designed to strengthen the rule of law. I welcome the offer to have your staff work even more closely with USAID on our programming of democracy and governance assistance. I believe, however, that USAID has made considerable progress, during the relatively short time it has been providing democracy and governance assistance, in ensuring that our programs are effective assistance instruments for promoting democracy, the rule of law and good governance. Democracy promotion is difficult, and even the best program may fail because the enemies of democracy may be too strong. Given the difficulties, I am proud of the historical role that USAID has played in taking the lead on the promotion of democracy around the world. For example, over the past ten years the Agency has directly contributed to irreversible democratic progress in countries as diverse as Bolivia, Bulgaria, and South Africa. At the end of last year, I created the new Bureau for Democracy, Conflict and Humanitarian Assistance and centralized most Washington-based USAID democracy staff within it. This will help us see that these programs get the support they need to succeed.

We have been learning lessons as we have been doing our democracy and governance support work. For example, we now do a much better job of assessing the true political dynamics that influence a country's commitment to democratic reform, or the lack thereof. The Democracy, Conflict and Humanitarian Assistance Bureau (DCHA) has developed a comprehensive framework to both assess the true state of reform in a country and to design a democracy strategy that will most effectively overcome barriers to reform. When this process works, it is the antithesis of a cookie-cutter approach. Over the last five years, USAID has applied this framework in 26 countries—over a third of all those where the Agency has democracy programs. The next hurdle we are trying to cross is to make a more direct link between the findings of these democracy assessments and the actual programs. We believe we will be able to make considerable headway in this area under the new DCHA Bureau.

In addition, the DCHA Bureau has begun a comprehensive study that will evaluate all of our democracy promotion efforts to date. At the end of this exercise, USAID will be able to definitively answer what democracy programs work, what types don't, and what factors and context explain our success or failure. No one else—donor or think tank—has ever attempted such a large effort.

USAID CONTRACTING PRACTICES

Question. Another area is your contracting practices. USAID has become enamored with "indefinite quantity contracts" which transfer control over the management of projects to large contractors, often based in Washington, whose record of performance range from excellent to terrible. Can you comment on this?

Answer. It is true that USAID uses contractors and grantees to implement far more of its programs than it used to. It is also true that USAID uses indefinite quantity contracts to supply many contractors. But it is important to keep this in perspective. All federal agencies are using indefinite quantity contracts more. They are far more efficient when you are trying to respond to changing circumstances around the world than individual contracts, each of which requires its own full and open competition. In addition, the fact is that USAID is not using contracts nearly as often as it uses grants and cooperative agreements now. About two-thirds of the total procurement pie is for "assistance"—grants and cooperative agreements, usually with nonprofit organizations—and only one-third is for "acquisition" or contracts.

DEVELOPMENT ASSISTANCE

Question. The budget request appears to contain a modest increase for the Development Assistance account. How much of this increase is simply due to the transfers of program responsibilities from the Economic Support Fund (ESF), and not an actual increase above the amount spent on these types of activities in fiscal year 2002?

Answer. First, the Administration's fiscal year 2003 request for Development Assistance (DA) represents a 10 percent increase over the fiscal year 2002 level for DA and Child Survival provided by Congress, which is more than a modest increase, especially when considered in the context of overall Federal budget constraints. Second, while there were some reallocations of ESF from fiscal year 2002 to 2003, overall the Administration's request for the ESF account increases by some \$66 million from fiscal year 2002 to 2003 and, if the continuing planned reductions in Israel and Egypt are taken into account, the amount available for other countries increases by \$226 million. Third, while the ESF increase is focused mainly on a few countries affected by the War on Terrorism, with some selected reductions elsewhere, those reductions are more than offset by DA increases in the aggregate. In Africa, for example, a \$23 million ESF reduction was significantly more than offset by a \$113 million increase in DA.

Question. Development Assistance is your key account for combating world poverty over the long term. Other programs provide emergency humanitarian relief, but they are a stop gap. There are an estimated 2-3 billion people in the world living on less than \$2 per day. That means that your budget request of \$2.7 billion in Development Assistance would provide about \$1 per person living in poverty. I don't want to minimize the impact you can have with that money, but isn't \$1 per person far less than the wealthiest nation in the world should be providing for these anti-poverty programs?

Answer. Our assistance is targeted on far fewer than the 2-3 billion people in your illustration since we do not provide assistance to various countries where assistance is legislatively prohibited, the largest of which is China. Also, while assistance from the United States remains an important element of international efforts to support development, total donor flows now exceed \$50 billion; due partly to USG efforts, our international partners are becoming more aware of the need for collaborative efforts among all donors that help bring developing countries into the global economy. Both multilateral and other bilateral donors increasingly recognize that to do this requires helping developing countries achieve poverty reduction, good governance and national strategies that deal with improving health, education and economic prosperity. Finally, it is increasingly important to consider not just official development assistance but total resource flows to the developing world, from expanding investment, which now exceeds \$25 billion from the United States and \$130 billion from all sources. It is for that reason that USAID is increasing still further our collaboration with private sector, government, and non-governmental organization partners by establishing alliances that pool our resources with those from the private sector to tackle important development challenges.

BASIC EDUCATION

Question. I mentioned children's education in my opening statement. You have requested a total of \$165 million for the world, which is a slight increase above the current level. We spend six times that amount on education in Vermont. How much would it cost to mount a serious campaign to provide basic education to the world's children? How much in Afghanistan, Pakistan, Uzbekistan, and the other Central Asian countries?

Answer. The global Education for All Initiative (EFA), of which USAID is a member of the High Level Policy Group and the Technical Working Group, works at the policy, resource mobilization and country levels. A March 2002 World Bank (WB) draft paper on accelerating EFA has estimated external basic education funding at \$2.5 billion annually. This figure is contingent on improvements in education system efficiency and developing countries putting appropriate levels of domestic resources into education. An international technical meeting is set for April 10-11 in Amsterdam where EFA donors, developing countries and PVO/NGOs will review the World Bank's paper, country data tables and cost estimates. The Amsterdam meeting will provide the latest education cost estimates on Afghanistan, Pakistan, Uzbekistan, and the other Central Asian countries. USAID's preliminary assessment of the WB paper is that the annual global figure is understated because of the non-linear and cumulative impacts of HIV/AIDS on economies, institutions and the education sector. Finally, UNESCO and the World Bank are leading the preparation of the first EFA Annual Monitoring Report, which will be available later this year and will provide a detailed snapshot of every EFA country, including education policy, human capacity and resource gaps.

GLOBAL HEALTH PROGRAMS

Question. Just as we need to know how much it would cost to mount a serious campaign to provide basic education to the world's children, what can we say about

the cost of improving global health? Could we produce dramatic improvements in life expectancy for the world's poor by increasing spending by \$5 per capita?

Answer.

—Nearly 650 million people live in the world's least developed countries, where life expectancy at birth is 51 years and 1 of every 10 infants dies before the age of one. These countries spend an average of \$13 per person on health each year; \$7 of this comes from government.

—The December 2001 World Health Organization (WHO) Commission on Macroeconomics and Health estimates that a set of essential health interventions costing \$34 per person (\$21 more than what is now spent) could produce dramatic improvements in life expectancy. This spending would tackle malaria, TB, maternal and child health and nutrition, additional vaccine-preventable diseases, tobacco-related diseases and HIV/AIDS.

—About one-fourth of this increased spending, or \$5 per person, would make a major difference in the fight against HIV/AIDS.

Since the poorest countries would be expected to raise \$13 more per person from domestic resources, the donor share of this essential set of services would cost \$8 more per person.

CENTRAL ASIA: ASSISTANCE

Question. Since September 11th, Central Asia has become an important region for U.S. assistance programs. When I looked at the request for non-military aid to these countries, I saw that funding for some countries in the region has been increased; for others it has been decreased; and for still others it has been flat lined.

What mechanisms are in place in these countries, which are ruled by backward, authoritarian governments, to ensure that our assistance gets to those who need it most and is used, among other things, to strengthen democracy and civil society, and protect human rights?

Answer. Our assistance is implemented through grants and contracts to U.S. based, international non-government organizations and/or U.S. contractors. None of our funding is provided directly to the governments for implementation of activities. We have a strong in-field presence, with a USAID regional office in Almaty, Kazakhstan and USAID country program offices in the capitals of the other four countries, which we are reinforcing with additional specialized staff. This management approach assures that funding is well controlled and that goods and service are delivered to those most in need. USAID's program is designed to strengthen civil society and small businesses. Our assistance helps them advocate for a more democratic system and fight corruption and human rights abuses. We believe that engaged, vocal citizens are essential for sustainable progress in these areas.

CENTRAL ASIA: REGIONAL STRATEGY

Question. While I have heard some good ideas of programs for the Central Asia countries, I don't get the sense that we have anything resembling a regional strategy. Am I wrong?

Answer. In Central Asia under the Soviet Union, Communist officials chosen by Moscow practically eliminated opportunities for the development of civil society and the private sector. Citizens of the newly independent republics are challenged with the need to fight lingering tendencies toward authoritarianism in the face of a deteriorating socioeconomic situation. USAID developed its five-year (2000–2005) strategy for Central Asia to address these issues.

In view of the potential for instability, conflict, and state failure in the region, USAID is helping to mitigate the potential for conflict by encouraging active dialogue with civil society, promoting employment and income growth, and helping to improve health, education, and environmental conditions. The goal of the strategy is to expand opportunities for the citizens of the five nations to participate in improving their governance, their livelihoods, and their quality of life.

To achieve this goal, USAID has set four primary objectives for each country. First, we seek the growth of small-scale enterprise and trade, through support for activities in finance, regulations, and education. Second, we are promoting a more open, democratic culture, through the strengthening of non-governmental organizations, electronic media, and parliamentarians. Third, we are encouraging better management of environmental resources, through support for activities in regional water management and energy regulation and efficiency. Fourth, we are promoting improved primary healthcare through activities encouraging community and family practices, fighting infectious diseases, and promoting social marketing. These are region-wide objectives. They are tailored in different ways to the unique situation in each of the five countries.

These objectives are supplemented by several initiatives cutting across the entire strategy. USAID is fighting corruption and minimizing gender biases and increasing opportunity for alienated youth.

Recognizing the importance of education to preventing and mitigating conflict in these Muslim countries bordering China, Afghanistan and Iran, USAID is assessing the state of primary and secondary education systems throughout the region to more appropriately target and expand its assistance.

In response to the cooperation of Central Asian countries in the war against terrorism, we allocated funds from the Emergency Recovery Fund and are requesting increased funding for Uzbekistan and Tajikistan in fiscal year 2003. The Administration also may request additional funds for Central Asian countries in fiscal year 2002. While budget levels reflect the political importance of the recipients to the United States, they also reflect USAID's assessment of the best opportunities for impact. For example, through fiscal year 2002, the largest percentage of funding has been directed to Kazakhstan and Kyrgyzstan, where there has been the most progress in economic reform. Turkmenistan, the country most resistant to reform, has received the smallest percentage of funding.

Question. The Administration has requested \$368.5 million for family planning programs for the Development Assistance account. How much do you plan to budget for family planning from the Eastern Europe, former Soviet Union, and ESF accounts, especially proposing sharp cuts in the first 2 of those accounts?

Answer. The Administration requested a total of \$425 million of which \$368.5 million is in Development Assistance [DA] funds and the balance of the \$56.5 million is projected from the Economic Support Fund, the Eastern Europe and Baltic States assistance account, and from assistance to the Independent States of the Former Soviet Union, jointly managed with the Department of State.

FAMILY PLANNING

Question. Given the unmet need in family planning services, and the pressure of population growth on urban areas and the environment, shouldn't we be doing more in this area? Your fiscal year 2003 budget request for family planning is less than we were spending on these activities in 1995. How does that make any sense?

Answer. In January 2001, the President stated his commitment to maintaining the \$425 million funding level provided for in the fiscal year 2001 appropriation. His commitment to population is reflected in the Administration's fiscal year 2002 and fiscal year 2003 request levels of \$425 million. Although the Administration's fiscal year 2003 request level for population is less than the fiscal year 1995 level, it is higher than the annual levels of funding appropriated for population in each of the years over the period fiscal year 1996–fiscal year 2000.

DISASTER ASSISTANCE

Question. Even before the crisis in Afghanistan and the volcanic eruption in the Congo, the Office of Foreign Disaster Assistance was being called on to respond to disasters in virtually every part of the world. Last year, Congress increased funding for this account by 18 percent over the Administration's Fiscal year 2002 budget request—which still fell far short of what is needed.

The fiscal year 2003 request for disaster assistance has been flat lined at \$235.5 million, even though the latest report published by OFDA states that: "the requirements for humanitarian assistance . . . are on the increase. The humanitarian community has an obligation to recognize this and respond in as creative and proactive manner as possible."

As the former head of OFDA, would I be wrong to assume that you agree that the fiscal year 2003 budget request for disaster assistance is inadequate?

Answer. The fiscal year 2003 request for disaster assistance of \$235.5 million in fact represents an increase of \$25 million for USAID's Office of U.S. Foreign Disaster Assistance (OFDA) because the fiscal year 2002 appropriation of \$235.5 million included \$25 million for El Salvador earthquake reconstruction, which is being managed by USAID's Bureau for Latin America and the Caribbean. I believe our fiscal year 2003 request for OFDA is appropriate.

Question. Have you asked OMB or others within the Administration for supplemental funding to help address these shortfalls?

Answer. As I said, I do not believe the fiscal year 2003 disaster assistance request represents a shortfall.

BUDGET REQUEST FORMAT

Question. Last year, the Administration made separate requests for both the Child Survival and Development Assistance accounts. While there are pros and cons of

separate accounts, after some disagreements we finally reached a point where everyone—House, Senate and the Administration—were on the same page, which helped with budgetary comparisons, transparency, and oversight.

No one in the Administration even mentioned this to us last year. Why has the Administration decided to make a single request, and by doing so add to the already confusing format of the AID budget request?

Answer. The Administration determined that a single account would afford greater programming flexibility and that USAID's financial management and accounting could be greatly simplified by combining these two accounts. In implementing development and health programs in the field, USAID routinely integrates activities funded from the separate DA and Child Survival accounts. Having to maintain separate account records complicates accounting and reporting on the use of funds in the two accounts. Nevertheless, we have clarified in our Congressional Budget Justification, the amounts we plan to budget for child survival and health programs if the funds are appropriated as requested.

TROPICAL FOREST DEBT RELIEF

Question. In 1998, Congress overwhelmingly passed the Tropical Forest Conservation Act to protect tropical forests in developing countries through debt reduction.

Last year, Congress appropriated \$5 million and authorized up to \$20 million in unobligated balances to help implement this program. Despite campaign promises by President Bush, the budget request contains only \$40 million in transfer authority from Development Assistance to pay for tropical forest debt relief.

Do you know how much USAID actually plans to transfer from Development Assistance to these debt relief programs, if any?

Answer. USAID will meet the President's budget request of \$50 million from Development Assistance (DA) for activities to carry out tropical forest conservation activities authorized by the Foreign Assistance Act through a combination of ongoing and new activities. To support this, the President has requested \$25 million of new and additional DA funds for USAID. USAID will support the President's forestry initiative of a \$50 million increase over USAID's current forestry activities using the \$25 million of new and additional DA, plus \$5 million out of our non-forestry DA base level, plus \$20 million out of our combined non-forestry Economic Support Fund, Freedom Support Act and Support for Eastern European Democracy levels.

USAID is not able to say at this time how much, if any, of the \$30 million in new forestry activities might be transferred to Treasury for use through the Tropical Forest Conservation Act mechanism. Should the Agency receive its requested DA levels, we intend to review tropical forest conservation needs in USAID-assisted countries and make case-by-case determinations on which mechanism available to us would be most effective. In some countries this could be transferring money to Treasury for TFCA while in others it could be through USAID's usual mechanisms of direct grants, direct funding of endowments, commercial debt swaps under the Foreign Assistance Act Title I, Chapter 7 authority, partnership arrangements with the private sector, or other arrangements.

We note that some countries that are potentially eligible under TFCA are not USAID-assisted countries. We would not expect to consider transferring USAID appropriations to Treasury for TFCA deals in such countries.

GREAT LAKES AND JUSTICE INITIATIVE

Question. Central Africa has been plagued by some of the worst violence, population displacement, and genocide that the world has ever seen. A critical part of bringing long-term peace and prosperity to this region will include strengthening civil society and the rule of law, encouraging reconciliation, and punishing the guilty. The Great Lakes Justice Initiative is designed to help accomplish these goals, but the budget documents sent to Congress show that no money will be allocated in fiscal year 2002 for this program despite the fact that the Administration requested \$10 million last year, and no money is even requested in fiscal year 2003. With the tremendous needs in these countries for this type of program, why are you not funding this Initiative?

Answer. The U.S. Government recognizes the importance of supporting ESF-funded activities initiated under the Great Lakes Justice Initiative (GLJI). These activities have been effective in promoting stability, democracy and good governance in Democratic Republic of the Congo, Rwanda and Burundi for the past several years. There is not a specific line item in the fiscal year 2002 and fiscal year 2003 ESF budget request for the Great Lakes Justice Initiative. However, the State Department is currently evaluating recommendations to continue these critical activities with ESF funding in all three countries.

UNIVERSITY PROGRAMS

Question. Last year the Subcommittee changed the way that university proposals are to be handled. In our report, we instructed USAID to identify an office where universities, Members of Congress, and others can go with inquiries about these types of requests. We also directed USAID to report twice on the status of the specific proposals listed in the Committee report. Have you identified or established an office within USAID to handle proposals? What other steps have you taken to be sure that proposals submitted by universities are handled appropriately?

Answer. USAID has identified the Office for Human Capacity Development of the Bureau for Economic Growth, Agriculture and Trade to handle university proposals. To ensure that proposals submitted are handled appropriately, USAID is implementing a system to centralize the submission point and tracking of proposals. Proposals for internal review will be processed under a stricter time schedule, with the understanding that both USAID and U.S. Higher Education Community prefer that vetting take place through a university peer-review process to assure technical quality. USAID is also developing a brochure for the U.S. Higher Education Community to publicize the process, and soon will have a website on-line to improve communications.

WEST BANK AND GAZA

Question. We are all very concerned by the collapse of the peace process in the Middle East. But there are some positive things happening there, and I want to commend the outstanding work of the USAID mission in the West Bank and Gaza. It manages critically important programs under extremely difficult working conditions.

None of these funds go the PLO or the Palestinian Authority. The funds go through non-governmental organizations for things like potable water, sewage treatment, and job creation. So when we talk of cutting off assistance to the West Bank and Gaza, we are talking about ending programs that help people in need and build goodwill towards the United States.

Shouldn't we be taking immediate measures to create jobs, along the lines of our own Civilian Conservation Corps during the New Deal?

Answer. The new \$30 million JOBS project will represent a quantum increase in job creation. Persons employed under this project will perform basic social and community services, which have effectively collapsed because of the intifada, and the Palestinian Authority's inability to pay for these services due to a sharp drop in revenues.

Question. Given that unemployment is upwards of 35 percent in Gaza and is especially acute among younger adults, what is USAID doing to help create new jobs for people who lost their jobs due to the border closings and other security measures?

Answer. USAID/WBG has an on-going \$12.3 million Emergency Employment project, implemented by UNDP, Save the Children Foundation, Cooperative Housing Foundation, and Catholic Relief Services, which is providing jobs for thousands of unemployed Palestinians. Also, the Mission is obligating a further \$2.3 million this year for additional emergency employment activities to be implemented by International Orthodox Christian Charities and others. Finally, USAID/WBG is implementing a new \$30 million Job Opportunities through Basic Services (JOBS) project through U.S. non-governmental organizations.

ALTERNATIVE DEVELOPMENT PROGRAMS IN COLOMBIA

Question. It is now apparent to everyone, including the GAO and USAID, that the Alternative Development Program in coca growing areas of Colombia, where there is virtually no security, was poorly designed and is not going to produce the desired results. We have already lost valuable time and money. I have my own serious doubts about the coca eradication program, as do many others here and even in the Administration. But that is run by the State Department. One thing that seems crystal clear to me though, is that USAID's Alternative Development Program and the State Department's coca eradication program should not necessarily be linked. USAID should do what it does best—long term economic development in areas where there are local communities it can work with and the security exists to implement sustainable programs. Do you agree?

Answer. I agree that linking alternative development and coca eradication programs can be difficult and creates some special challenges. However, I would like to clarify that the USAID Alternative Development Program in Colombia was designed to provide a flexible and adaptive mechanism to support US counter-nar-

cotics objectives over a multi-year period. USAID never suggested that results could be achieved quickly, certainly not in less than one year. Our field-based monitoring systems, which are based on reports from contractors, grantees, and counterparts, identified problems early on and enabled the Mission to make early adjustments when constraints were observed that limited AD progress. We feel this is an example of proactive program management under difficult conditions.

The efficacy of aerial eradication can be reduced when planes must avoid areas benefiting from Alternative Development Programs. At the same time, limiting Alternative Development Programs to areas of intensive coca cultivation can raise the costs and risks of development efforts. There are several reasons for this. For example:

- Coca is typically grown in remote areas where there is no government presence and little infrastructure. Organizing development activities and creating new jobs under these conditions takes more time and money than is the case in areas with better infrastructure and services. At the same time, because of higher production and transport costs, goods produced in remote areas are less competitive in regional markets.
- Drug crops are often produced in environmentally fragile areas that are not viable for commercial agriculture.
- Drugs crops attract armed groups whose presence will often hinder market-based commercial activity as well as broader community mobilization in support of development activities.
- Areas conducive to drug production are not necessarily competitive for production of other agricultural products aimed at regional or international markets.

For these reasons, we have undertaken to diversify the areas where we conduct Alternative Development Programs. Currently we are working in nine different departments in Southern and Northern Colombia. We will continue to expand to areas we believe provide better chances of success at reasonable cost. These areas may not always be where drug crops are concentrated. In areas where opportunity for impact is more limited, we are restricting activities to those with less risk, such as smaller scale community infrastructure. Finally, we are promoting voluntary manual eradication of drug crops in the communities we work with, because many people who are opposed to aerial spraying are willing to eradicate manually in exchange for alternative development assistance.

In sum, we agree that it does not always make sense to directly link development and aerial eradication efforts in a given target area. We will make sure that development programs generate the greatest possible impact in creating new employment and improved social conditions. We believe this is important to the long-term success of overall USG Colombia policy.

BIODIVERSITY

Question. We recommended that USAID spend \$100 million for biodiversity activities in fiscal year 2002. Can I assume you will spend that amount for programs that conservation organizations will regard as directly protecting biodiversity in areas where it is seriously threatened?

Answer. Yes, USAID will spend \$100 million for biodiversity activities that conservation organizations regard as directly protecting biodiversity in areas where it is seriously threatened. USAID defines biodiversity activities as those whose primary purpose is to conserve biological diversity in natural and managed ecosystems. Activities may include the following approaches: protected area management, community-based natural resource management, ecoregional/landscape conservation, sustainable use of natural resources, and enterprise-based.

RUSSIA: USAID ASSISTANCE

Question. Can you tell me how much USAID has spent in Russia since it began implementing programs there after the collapse of communism? How would you evaluate the impact of our assistance programs there—in other words, what return have we and the Russian people got for that money?

Answer. Since 1992, \$2.6 billion in FREEDOM Support Act funds has been obligated for U.S. Government assistance programs in Russia. (Note: This figure does not include funds for non-proliferation and security programs). Of this amount, USAID has managed approximately \$2.1 billion, and \$550 million has been transferred for programs managed by other U.S. Government agencies.

The primary areas in which USAID has provided assistance to Russia include economic reform, support for small and medium sized enterprises, environmental management; promoting civil society, rule of law, and an independent media; and health care reform. During the past five years, the focus of our assistance has shifted away

from the central government to an emphasis on working with regions and municipalities to support reform at the grassroots level through partnership relationships with Russian organizations. USAID currently has activities in virtually every region of the Russian Federation and has actively supported the four U.S. Government Regional Initiative sites: the Russian Far East, Samara, Tomsk and Novgorod.

Assistance dollars in Russia have provided important support to forces of reform, and have resulted in widespread economic reforms, positive trends in civil society and the rule of law, and models of health improvements in selected locations. The benefit to the U.S. of this assistance is in helping promote an evolving market democracy in Russia, contributing to a more stable and positive Russia in today's world. Although a lot has been accomplished in the past decade, there is a lot of work still to do in implementing economic reforms in the regions, and in the health and civil society areas.

The main USAID achievements in Russia over the past ten years have been the following:

—*Establishing core institutions and systems for a market economy*, including development of capital markets institutions, such as the Federal Commission on the Securities Market and the Russian Trading System, and support for creation of Russian think tanks which provide policy analysis to drive forward economic reform.

—*Formulating a new tax regime that supports economic growth and fiscal federalism*. USAID-supported think tanks helped draft key tax reform legislation which was passed in 2000–2001, setting a flat 13 percent income tax rate and the lowest corporate profits tax rate (24 percent) in Europe. Recent passage of the new land code is attributable to USAID activities begun in 1994 with regional governors.

—*Helping the small and medium-size business sector and the Russian middle class grow rapidly*. USAID assistance has introduced a successful non-bank credit model for small and medium enterprises, a large proportion of which are women owned, and our business management programs have helped train over 500,000 entrepreneurs in vital business skills.

Recent legislation passed by the Duma and drafted by a USAID-supported think tank dramatically reduces licensing, registration requirements, and state inspections that constrain the growth of small and medium enterprises.

In addition, USAID support for The U.S.-Russia Investment Fund (TUSRIF) has mobilized private capital for investment and helped strengthen indigenous financial institutions.

—*Developing and disseminating improved environmental policies and practices through Russian institutions*.—USAID assistance built a vibrant network of regional organizations and institutes which is disseminating improved environmental practices and methodologies in such areas as forest management and pest control.

—*Making the judiciary more independent and fair*.—USAID training and exchange programs have exposed Russian judicial reformers to American models, which had significant effect on legislation such as the Civil and Criminal Procedure Codes, which requires adoption of jury trials nationwide.

—*Building civil society and independent media in the regions as a democratizing and countervailing force*.—USAID has helped develop a network of over 70,000 civil society institutions and NGOs throughout the Russian Federation. USAID has also supported the existence of over 500 independent television stations in the regions to provide an alternative to state-run media.

—*Creating the legal basis for a private land, real estate and a housing market*.—USAID technical assistance has resulted in major reform legislation in urban planning, land ownership and use, and local self-governance, which has resulted in \$150 billion of Russian housing being privatized.

In addition, in 1994 USAID assisted with the Russian Officer Resettlement Program, which contributed to a major U.S. foreign policy goal—the withdrawal of all Russian troops from the Baltic states.

—*Reorienting health services toward quality primary health care, maternal and child health, and a focus on the HIV and tuberculosis epidemics*.—Through USAID technical assistance, Russian health institutions are becoming more evidence-based and cost-effective. USAID's introduction of modern family planning services has helped reduce abortion rates; our work on preventing and treating tuberculosis is leading to results that exceed World Health Organization standards for success; and our work on HIV/AIDS prevention has provided critical information to youth and assisted in joint efforts against the epidemic.

QUESTIONS SUBMITTED BY SENATOR TOM HARKIN

LABOR

Question. It remains the law of the land that USAID is not to use any of its appropriated funds in support of any project, program, or activity in any foreign country that does not enforce its legal obligations under national and international law to not use child labor or otherwise contributes to the violation of the other fundamental worker rights and core labor standards.

Is USAID now fully in compliance with this law and what specific procedures does USAID have in operation to enable you to know this reliably, given that your agency supports thousands of projects, programs, and activities in scores of foreign countries in all regions of the world?

Answer. USAID takes seriously its responsibility to ensure that no funds are used to undermine either U.S. jobs or internationally recognized worker rights. To that end, USAID issued a policy determination in January 1994 (USAID Policy Determination-20, U.S. Programs and U.S. Jobs) that clearly and unequivocally forbids the use of its funds, whether appropriated funds or local currency funds, in projects or activities that: (1) could reasonably be foreseen to involve the relocation of any U.S. business that would result in a reduction of the number of employees of the business in the United States; (2) establishing or developing export processing zones in which the tax, tariff, labor, environment, and safety laws of a country do not apply; or, (3) would contribute to violations of workers' rights. This policy determination not only sets out the policy context and general principles but also offers specific guidance on implementing the policies. Among the implementation steps is a requirement that each grant or contract include a clause stating that no funds may be used for any purpose in violation of these policies. Should a grantee or contractor be found in violation of this provision, sanctions and penalties can be imposed. While we can not say with certainty that there has never been an instance in which this policy has been violated, we are certain that every effort has been made to assure compliance.

In addition to prohibiting funds from being used for these prohibited activities, USAID has a long history of supporting compliance with international standards on workers' rights. USAID has long viewed compliance with the rights of workers to organize and collectively bargain as an essential element in both human rights and democratic governance.

The American Center for International Labor Solidarity (ACILS or Solidarity Center) and its predecessor regional institutes, have been significant partners in implementing USAID's labor programs for over four decades. USAID's labor program, among other objectives, seeks to facilitate and encourage compliance with the ILO's Universal Declaration of the Fundamental Principles of Rights at Work of 1998. The Declaration's five core labor standards are:

- freedom from child labor;
- freedom from forced and indentured workforce, prison labor;
- freedom of collective bargaining;
- freedom of association;
- equal treatment for workers, without discrimination.

The Office of Democracy and Governance (DG) office supports strengthening trade unions that in work developing countries to support free, democratic trade unions. Labor unions are mass-based, often represent the most disenfranchised citizens, bring them into the political and development process, and give a voice to women and children.

In February 2002, the DG Office awarded a five-year grant to the Solidarity Center to be funded at \$9 million annually assuming funds are available. The Solidarity Center is an effective advocate for democratic reforms and sustainable development. The Solidarity Center programs often include collaborations with governments, other global international institutions, employers, and workers themselves.

The Office of Democracy and Governance also manages The Partnership to Eliminate Sweatshops grants funded by the Department of State. The Partnership to Eliminate Sweatshops grew out of concern on the part of the American public that the global economy had created a climate conducive to abusive treatment of workers and unsafe working conditions. There is broad public concern that goods sold in the U.S. market not be produced under sweatshop conditions. Through the Partnership to Eliminate Sweatshops, the U.S. Department of State and USAID are collaborating to support programs conducted by concerned non-governmental organizations to address these problems. These programs include the establishment of business codes of conduct, workplace monitoring systems, research and education initiatives, and worker empowerment.

The objective of the program is to facilitate partnerships among non-governmental organizations (NGOs), universities, organized labor, corporate alliances, international organizations, and others to test a variety of approaches intended to eliminate unacceptable working conditions around the world. USAID is managing the programs of the Fair Labor Association (FLA), the International Labor Rights Fund, the Solidarity Center, and the Consortium of Pact and AED.

The FLA addresses violations of internationally recognized labor rights in the apparel and footwear industries. It does this by accrediting and overseeing monitoring organizations, and by working with participating multinational companies, universities, and NGOs to assure compliance with minimum labor standards.

The ILRF helps build capacity to among NGOs working on labor standards in the apparel industry. The focus of the ILRF grant is to develop the capacity of indigenous civil society organizations, broadly defined and inclusive of trade unions, to carry out these program objectives.

The Solidarity Center anti-sweatshop program builds on its capacity to help local trade unions to empower workers. The Solidarity Center seeks to work with its local partners educate, organize, and give workers the legal tools to defend their rights under national and international law. The Solidarity Center also seeks to ensure that national labor laws are effectively enforced and mobilize international consumer markets to support enforcement of core labor standards.

The Academy for Educational Development and Pact's anti-sweatshop program also supports local organizations, including trade unions, enterprises, independent media, and government bodies, to address abusive labor conditions in overseas factories.

USAID has always endeavored to use appropriated funds in support of projects in foreign countries that respect fundamental worker rights and core labor standards, and address the problems encountered by workers in the "export processing zones" or EPZs.

CHILD LABOR

Question. For years, I have championed the need for a global crackdown on abusive child labor and the importance of providing positive alternatives for the children removed from abusive child labor and their families. It has been proven repeatedly that one of the most effective means of eliminating the worst forms of child labor is to afford universal access to basic education. What more can USAID do to help an estimated 250 million child laborers around the world to gain access to basic education?

Answer. Children continue to be the most vulnerable in our world's society and abusive child labor remains an impediment to meeting Education for All goals of universal primary education and gender equity. USAID is helping to build child labor strategies into field mission initiatives in economic growth, agriculture, trade, education, training, democracy and governance, environment and health, women in development, and information technology. To mainstream USAID's focus on child labor, the Economic Growth Bureau's Education and Training Office has done the following:

- USAID's new flagship education support instrument will include a significant focus on programming for out-of-school children and youth, in particular, child laborers, including children and youth subjected to the worst forms of child labor (e.g., as prostitutes, soldiers). We anticipate that support for use of this instrument by the field will increase in the future.
- Hired a full-time Child Labor expert in December 2001
- Expanded outreach, information sharing and program planning with the Department of Labor, UNESCO and International Labor Organization/International Program on the Elimination of Child Labor (ILO/IPEC), including having ILO make a child labor presentation at USAID's worldwide Human Capacity Development Conference held at National Institute of Health (NIH) last summer
- Has prepared 84 country profiles on child labor to help field missions understand the dimensions and issues and facilitate integrated program development

TRAFFICKING AND SLAVERY

Question. Since enactment of the Victims of Trafficking and Violence Protection Act of 2000, the U.S. State Department and USAID have brought new clarity of purpose to coordinating and strengthening the interagency capacity of the U.S. Government to crack down on human trafficking of women and children for illicit activities around the world. The Task Force established for this purpose has proven useful

as has the new reporting capacity that has brought greater attention and focus to this egregious human rights problem.

Mr. Administrator, there are now at least 27 million slaves scattered in many industries in many parts of the world and our country has aid, trade and investment relationships with governments in those countries which do nothing about slavery in their midst. Do you agree that this grim reality needs to be immediately redressed and will you support legislation to establish an interagency process, including USAID, that would make ending slavery worldwide a principal objective of U.S. foreign policy as a matter of high priority and urgency?

Answer. I agree that the problem of trafficking in persons, a modern form of slavery, needs immediate redress. To this end, the Administration has intensified cooperation on this issue across the board. The interagency mechanisms to address the problem are now in place. On February 13, 2002, the President signed an Executive Order establishing the President's Interagency Task Force to Monitor and Combat Trafficking in Persons. The President's Task Force has established a Senior Policy Advisory Group, which will have policy oversight and conduct programmatic reviews related to trafficking in persons. The United States continues to press for progress on trafficking in persons, slavery and other human rights issues in bilateral and multilateral fora as well as through the interagency process.

UNIVERSITY PROGRAMS

Question. What process and implementing procedures have USAID established to enable interested colleges and universities in Iowa and across the nation with expertise to submit proposals for fair and transparent, meritorious peer review and receive USAID funding to help deliver programs and services to advance the core objectives of U.S. foreign assistance?

Answer. USAID has identified the Office for Human Capacity Development of the Bureau for Economic Growth, Agriculture and Trade to answer inquiries and to receive and track proposals from colleges and universities. To better communicate how proposals are processed and reviewed, USAID is developing a brochure that explains a variety of ways in which colleges and universities can become engaged in delivering programs and services to advance U.S. foreign assistance, including a stricter time schedule. Both USAID and the higher education community prefer that vetting take place through a university peer-review process to assure technical quality. USAID will also start a website on-line that will provide even more information.

NEW FREEDOM INITIATIVE

Question. In his first year in office, President Bush announced his New Freedom Initiative to expand the rights of Americans with disabilities. I applauded that initiative and I intend to support the President in realizing its goals.

At the same time, I'd like to enlist your support to extend the principles of the New Freedom Initiative beyond the borders of U.S. domestic policy and into our nation's foreign policy objectives and development assistance programs. Currently, the United States sets the standard on disability policy for the rest of world in many respects, but eleven years after the enactment of the Americans with Disabilities Act (ADA), USAID has seemingly done very little globally to promote respect for the rights of disabled persons and access. This is especially disturbing because 80 percent of persons with disabilities in this world live in developing countries.

For example, USAID in 2000 reported in its Second Annual Report on the Implementation of USAID Disability Policy that efforts to promote USAID Disability Policy have been "disjointed and minimally effective" and that specific programming has only taken hold in response to congressional mandate.

I am wondering what you have done so far to change this dismal picture. More specifically, what policies have you invoked within USAID to help ensure that all of the programs, projects and activities with USAID's internal operations provide equal opportunity for people with disabilities and facilitate their maximum contribution to your agency's performance? Does USAID now play any coordinating role to make certain that the rights of persons with disabilities and their particular needs are being met government-wide by all U.S. government agencies that provide technical assistance and operate programs overseas. (For example, as new U.S. embassies are under construction in several countries and many more are being overhauled for security reasons by the U.S. State Department, what is USAID doing now to make certain that access for disabled persons is guaranteed in the construction or remodeling of these U.S. embassies and related facilities. More broadly, what actions has USAID implemented since you have been Administrator to help ensure that all projects, programs, and activities supported by USAID in developing countries promote greater respect for the basic human rights of persons with disabilities

and afford them greater access to live full and productive lives within their own societies? Finally, what is USAID doing now to empower persons with disabilities to advocate on their own behalf and participate more fully in the formulation of public policies and laws in all countries with a USAID presence?

Answer. As regards human rights USAID follows State Department policy and determinations. The issue of how the rights of the disabled fit under our government's definition of human rights is best addressed by the Department of State as well.

Similarly in terms of USAID official facilities overseas we work closely and under Embassy regulations and guidelines. However in addition to the general under-investment for years in overseas facility infrastructure, USAID's unique mission often requires us to acquire, facilities in difficult circumstances and short time. Such realities often make it a Herculean task to meet even minimal security requirements and compromise on standards is inevitable.

As regards USAID coordination of other Agencies disability actions overseas, USAID has neither the mandate nor expertise to fulfill this role.

It is USAID's policy to integrate and incorporate disability concerns into our basic mission and resources. This we believe is in harmony with the Americans with Disability Act, which includes reasonableness as a criterion for implementation. We have clear examples where disability concerns have been successfully incorporated into our programs and continue to look for other "case specific" opportunities. For example, in Vietnam where massive disability is an acknowledged national concern, USAID, under the Leahy Fund, provides both direct prosthetic assistance and institutional strengthening assistance, such as the development of disability friendly construction codes. In Africa, democracy assistance has included assuring access to the voting process by disabled voters. In Latin America, to give voice to the disabled, we have sponsored participation in regional forums on disability policy. In Philippines we insisted on including elevator service in a USAID funded two-story university lab building because there was identified student need. The situations we face are so varied that blanket solutions or approaches are not feasible.

Finally, as we engage in new situations such as Afghanistan, where disability is a pervasive social tragedy, we will be involving new and more extensive situationally appropriate responses. I would note that since I became Administrator we have sponsored a workshop with the disability community and State, with World Bank participation, precisely to investigate ways we can do better in implementing our policy of integration of the disabled into our activities.

BASIC EDUCATION

Question. How much of the fiscal year 2002 USAID budget was spent for projects and programs in developing countries to enable impoverished children in developing countries to gain access to basic education? How much has USAID requested for that fundamental purpose in fiscal year 2003 and how does that compare to other USAID priorities?

Answer. Basic education is an increasingly important component of the overall USAID program. Fiscal year 2002 funding for USAID basic education programs from USAID's Development Assistance (DA) account is \$150 million; in fiscal year 2003, the request for basic education in the DA account increases by 10 percent—to \$165 million. This request represents a 65 percent increase over the fiscal year 2001 level of \$102 million, even though the overall total for DA and Child Survival increases by about 25 percent from fiscal year 2001 to fiscal year 2003. In addition, there is \$15 projected for basic education in the ESF, SEED and FREEDOM Support Act accounts jointly managed with the State Department and that levels goes up as well, to about \$32 million, in the fiscal year 2003 request.

OPERATION DAY'S WORK

Question. How much funding have you requested in fiscal year 2003 for the Operation Day's Work program, which enables American youth to develop projects and programs in their home communities to study the growing interdependence between the United States and the development needs of many foreign countries, perform community service, and contribute to projects to help their peers in developing countries?

Answer. USAID is dedicated to the continued development of Operation Day's Work, our youth leadership and global awareness program. We are currently in the process of planning new initiatives to better promote Operation Day's Work to U.S. students, and are proud to lead this program which combines international outreach and community service to allow U.S. teenagers to help their peers in developing countries. USAID's Operation Day's Work project is funded internally through the Bureau for Legislative and Public Affairs' budget. The Operation Day's Work budget

for fiscal year 2002 is \$102,084.00, and we are currently finalizing all internal funding levels for fiscal year 2003. We anticipate Operation Day's Work funding for fiscal year 2003 to be similar to current levels; however, we have begun an intensive review of the efforts to integrate Operation Day's Work's goals, objectives, and teaching materials into other curriculum networks throughout the United States. This integration will be achieved in part through greater engagement with outstanding existing education and student leadership networks, programs, and organizations. This year the Operation Day's Work students in participating schools have selected Ethiopia as the developing project country.

QUESTIONS SUBMITTED BY SENATOR TIM JOHNSON

AFGHANISTAN RECONSTRUCTION

Question. Administrator Natsios, I was pleased to see USAID recently announced \$15 million in quick impact programs for Afghanistan. This funding, which is a part of USAID's \$167 million for Afghanistan reconstruction, will be used mainly for education, health, and agriculture programs. Given the fact that the long-term success of our operation in Afghanistan will be judged in large part by the ability of the Afghan people to build a functioning civil society, could you outline in more detail USAID's plans for Afghanistan's reconstruction?

Answer.

—USAID's approach to reconstruction includes the following components:

- revitalizing agriculture and other livelihood options;
- enhancing educational opportunities;
- improving health;
- strengthening Afghan institutions to ensure stability;
- A key component to strengthening Afghan institutions is building upon the strong tradition of civil society in Afghanistan.
- USAID is implementing an \$8 million program of community development initiatives that work with local organizations to respond to immediate needs, such as schools and health clinics using local labor.
- USAID also strongly encourages its international implementing organizations to partner with local Afghan organizations to build their capacity and ensure sustainability of projects.

USAID will continue to pursue opportunities to engage and build the capacity of Afghan civil society.

PAKISTAN

Question. I know the USAID maintains a field mission in Pakistan. Given President Pervez Musharraf's assistance, and the assistance of the Pakistani people, during our operations in Afghanistan, could you comment on ways in which USAID is helping Pakistan cope with issues such as refugees, education, and economic development?

Answer. USAID is in the process of setting up a field mission in Pakistan. We anticipate opening this in June or July of this year.

The USAID program focuses on three areas: education, health and democracy.

The education program will support the Government of Pakistan's Education Reform Strategy, and focus specifically on improving the quality and delivery of primary education and expanding the literacy of women and out-of-school youth in the provinces of Baluchistan and Sindh.

The health program will help improve the health of the Pakistani people, especially children and women in rural areas. The program will provide a basic package of health services that can be sustained over the long-term through partnerships between the public and private sectors. The program will reduce morbidity and mortality in young children and women through child survival and maternal health services. A central feature of this effort will be to support reform nation-wide, with the aim of improving the coverage, quality, and efficiency of health services.

The democracy program is working in two areas: (1) strengthening the capacity of local civil society organizations to engage the government in dialog on key development issues; and (2) assess whether opportunities exist to assist the political parties become more issue focused, develop internal democratic operation principals, and build the capacity of the emerging new leaders.

USAID HIV/AIDS STRATEGY

Question. You have expressed a particularly strong commitment to addressing global health issues, specifically HIV/AIDS. I share your concern for this issue.

Nothing can overwhelm a developing country like the consequences of a health crisis like HIV. Many sub-Saharan Africa countries face nearly unimaginable long-term consequences as an entire generation is decimated by AIDS. Could you further outline your strategy for dealing with the problem?

Answer. As you mentioned, HIV/AIDS is one of the top priorities for the U.S. Agency for International Development. There are six parts to our HIV/AIDS strategy: prevention, care, treatment and support, working with children affected by AIDS, surveillance, encouraging other donors, and engaging national leaders.

Prevention has been the cornerstone of our policy for the past 15 years. The single most important aspect of our prevention strategy is reaching young people and changing their behavior. Young people are often difficult to reach, but we have had some notable success working with local organizations to craft a message that they can embrace. In Zambia, for example, our work with 15–19 year-olds in Lusaka and other cities has helped delay the age of sexual debut by approximately two years. As a result, HIV/AIDS prevalence rates have dropped by nearly 50 percent in this group.

The second part of our strategy is the care, treatment, and support of those infected by the virus. While there obviously is no cure yet, we can help people survive longer by treating opportunistic infections such as tuberculosis and continuing to help countries build up their health care systems and infrastructure. Although prevention remains our primary focus, we have been providing funding for the care and treatment of people living with HIV/AIDS since 1987. Currently, we have 25 such projects in 14 countries. We will also announce soon, antiretroviral treatment sites in three countries in Africa. In all three countries, we plan to create models for provision of antiretrovirals that governments and the private sector can expand to the national level.

The third part of our strategy involves attending to the millions of children who have lost parents to HIV/AIDS or are at risk of doing so. I have been to Africa many times, and I have seen the faces of these children. The fact is we cannot give them what they need the most—their parents alive and well. However, we can do our best to help them, and we are. We now have 60 projects in 22 countries that provide these children food, shelter, clothing, school fees, counseling, psychological support and community care.

The fourth part of our strategy is surveillance. The nature of the HIV/AIDS pandemic is that we are always learning new things about it. The fifth component is our ongoing effort to encourage other governments and multi-lateral institutions to increase their financial commitments to the fight against the pandemic. The United States provides one-third of the world's resources to fight HIV/AIDS, four times what the next largest donor gives. Finally, there is simply no substitute for leadership. Whether the issue is HIV/AIDS, democracy, or building free markets and institutions, the single most important factor in a country's development is the quality of its leaders and their commitment to their people's well being.

Since becoming USAID Administrator, I have streamlined our procedures so that more of our HIV/AIDS program money goes directly to the field and it gets there faster. We have increased the number of priority countries we focus our resources on, strengthened our regional programs and are taking steps to improve our accountability.

QUESTIONS SUBMITTED BY SENATOR MITCH MCCONNELL

WEST BANK/GAZA

Question. The strategic objectives of USAID's West Bank and Gaza assistance programs include promoting private sector economic opportunities, access to water resources, more accountable and responsive governance, and improved healthcare and community services. Since 1995, there has been a ban on providing direct support to the Palestinian Authority.

How does USAID ensure that none of the funds in the fiscal year 2003 budget—or any funds provided in prior years—benefit, directly or indirectly, Palestinian extremists?

Answer. Many Palestinian NGOs help implement USAID/WBG's programs through sub-grant mechanisms with American contractors and NGO grantees, after full and open competition. The USAID Mission, as part of its due diligence process prior to approving sub-grants to Palestinian organizations, requests background checks on these organizations and their key personnel. These checks are conducted by members of the Consulate-General and Embassy Country Teams. Only those organiza-

tions which pass this background check process are subsequently cleared to be awarded sub-grants.

Question. How does USAID ensure that none of the Palestinian recipients of U.S. taxpayer funds are involved in acts of terrorism against Israel?

Answer. Many Palestinian NGOs help implement USAID/WBG's programs through sub-grant mechanisms with American contractors and NGO grantees, after full and open competition. The USAID Mission, as part of its due diligence process prior to approving sub-grants to Palestinian organizations, requests background checks on these organizations and their key personnel. These checks are conducted by members of the Consulate-General and Embassy Country Teams. Only those organizations which pass this background check process are subsequently cleared to be awarded sub-grants.

Sixteen Palestinian non-government organizations are helping the Mission in carrying out its health sector activities, focused mainly on improving maternal and child health. Fifty-nine Palestinian NGOs help implement USAID's Community Services project, upgrading, repairing or constructing social infrastructure (schools, clinics, recreation and community centers, playgrounds, etc.). Two Palestinian NGOs are working to implement elements of the Mission's private sector support program in trade promotion and micro-credit. Finally, 53 Palestinian civil society NGOs receive sub-grants from the U.S. contractor for activities which range from technical/vocational training and socio-economic research to advocacy for the disabled and the promotion of citizen awareness, participation and good governance, under the Mission's Democracy and Governance program. All of these organizations have been vetted through the background check process and none have been known to carry out acts of terrorism.

Question. What programs can USAID support to encourage a viable alternative (or the political space which may allow the emergence of a viable alternative) to PLO Chairman Yasser Arafat?

Answer. USAID is helping to develop the legal framework necessary to balance the power among the Palestinian branches of government. Civil society's role in public decision making and government oversight needs to be increased. USAID projects fund eight organizations active in the democratic process (\$27 million, 5-year program) to help develop an effective civil society. These advocacy groups focus on education, citizens' interests and opinions, policy analysis, women's issues and young leadership training. A second 5-year program will assist a wider variety of non-governmental organizations advocating on issues such as health, environment, and women's rights. USAID is helping to strengthen the elected Palestinian Council to fulfill its legislative, oversight and constituency responsibilities. USAID is assisting with the review of key laws, including income tax (\$9 million).

In addition, USAID supports more than 70 local civil society organizations with capacity-building, training in policy analysis, communication and leadership skills, strategic planning, management and conflict resolution, as well as with upgrading their internal financial systems and governance structures.

Question. What programs can USAID support to educate Palestinians on the absolute futility of the use of violence as a means of achieving peaceful coexistence with Israel?

Answer. When unemployment is up to 40 percent and half of the population is currently living under the poverty rate of \$2 per person per day, it is difficult for the Palestinian people to overcome their feelings of desperation and loss of faith in the promise of peace.

The USAID program in the West Bank and Gaza is intended to improve the conditions under which the Palestinian people live and to provide better social, educational and economic opportunities to help them realize that it is better to resolve differences peacefully and without resorting to violence.

USAID funds three separate emergency job creation programs totaling \$45 million. In addition, USAID is developing infrastructure for four industrial parks. When fully operational they will have the capacity to employ about 80,000 Palestinians. Employed people are less likely to participate in street violence than do the unemployed.

USAID programs in democracy/governance are a means of promoting an understanding of open and transparent government and the rule of law. USAID funded programs which bring the Palestinians and Israelis together, such as USAID water activities, the Middle East Regional Cooperation program, and people-to-people programs, may be some of the best ways to stop the violence on both sides.

Question. Given that by some estimates over 100,000 Palestinians lost their jobs in Israel as a result of the intifada, how effective are USAID micro-credit and private sector development programs in a depressed Palestinian economy?

Answer. The strong performance of Palestinian information technology companies at a recent exhibition to Dubai led to an invitation to the Palestinian Information Technology Association to open a representative office at Dubai Internet City—the Middle Eastern hub of information technology. This is evidence of resilience of the Palestinian private sector, even under severely stressed conditions, and its receptivity to USAID assistance.

USAID will continue to pioneer support for the Palestinian private sector, while delivering much needed financial assistance to the poorer segments of society through micro-credit operations. For example, USAID helped to establish the Palestine Credit and Development organization (FATEN), a non-profit, micro-finance institution, which has thus far provided 18,800 micro-loans totaling \$5.7 million to over 5,000 women. The repayment rate has been near 99 percent, which is outstanding, given the current economically stressed circumstances.

Other USAID-supported private sector activities include the development of employment-generating opportunities for Palestinians by helping establish industrial estates. USAID funded physical infrastructure for the Gaza Industrial Estate. Phase one opened in 1998 and houses 22 businesses with 1,200 employees. USAID is also developing infrastructure for the first Palestinian high-tech park as well as carrying out feasibility studies for two other industrial estates. When fully operational, the four estates will have a capacity to employ about 80,000 people.

Finally, and with immediate relevance to the estimated over 100,000 Palestinians who have lost their jobs in Israel, USAID has an on-going \$12.3 million Emergency Employment project, with a planned further obligation of \$2.7 million in April. Further, the Mission is currently receiving applications from American companies and non-governmental organizations interested in implementing its new \$30 million Job Opportunities through Basic Services project, with final awards planned for May or June.

EGYPT

Question. The bulk of USAID's programs in Egypt are targeted toward trade and economic development, health care/family planning, and education.

USAID has invested a total of \$925 million in democracy and governance programs in Egypt, and intends to obligate \$8 million in fiscal year 2002 funds for these activities.

Since 1993, Freedom House has consistently ranked Egypt "Not Free" in terms of political rights and civil liberties. What concrete results can USAID identify for the \$925 million investment America has already made in democracy and governance programs in Egypt?

Answer. The bulk of the \$925 million was expended between 1983–1999 for local development and decentralization activities. These programs achieved many useful results at the local level, in areas such as water treatment, fire services, road construction, and community development. However, they did not produce systemic decentralization. Since 2000, democracy and governance programs have been reduced in scope and now focus on commercial court improvement, NGO strengthening, and local participation.

Some accomplishments of current activities are:

- The Administration of Justice Support Program;
- The institutionalization of computerized case initiation and registration network in two pilot commercial courts, resulting in strong customer satisfaction and implementation of related training;
- 32 percent of court administrators and judicial trainers who have directly benefited from the training opportunities are women;
- The provision of commercial law training programs for 3,000 judges; and
- Assistance resulted in a 50 percent reduction in case processing time in the two commercial courts.

The NGO Service Center:

- \$2 million has been awarded to 36 NGOs in support of civic participation in the areas of environment, women and children's rights, education, consumer protection, and health;
- Conducted 1,073 training opportunities for NGO representatives. Training covered internal governance, management, advocacy, and general topics related to civil society and development;
- In collaboration with the Mission's training program, the Center trained an additional 175 NGO representatives;
- The Center produced resource materials for NGOs and published a comprehensive directory of donors and assistance providers for Egyptian NGOs.

The Collaboration for Community-Level Services Project:

—Implementation of this pilot \$5M project began in February 2001. Implements local initiatives to improve the delivery of services through enhanced citizen participation. In one community, the project funded a summer education program for 140 students, aged 6–14.

Question. How much of the proposed fiscal year 2003 allocation does USAID intend to use for the promotion of democracy and governance in Egypt, and will any funds be used to promote a more professional and responsible press?

Answer. In fiscal year 2003, we propose to obligate \$13.27 million for democracy/governance activities. We are exploring the option of working with Embassy/Public Affairs to develop a program to make the Egyptian press better informed and more professional. No specific amount of funding has been determined.

Question. Why does USAID only work with non-governmental organizations (NGOs) that have been approved by the Egyptian government—which gives the government de facto control over civil society?

Answer. Under Egyptian law, USAID can only work with NGOs registered with the Government of Egypt (GOE). In addition, the Ministry of Social Affairs provides a security check for NGOs who have applied for grants. USAID's grantee, Save the Children, selects and awards the grants. The GOE does not control the type of grants, or the training and technical assistance given to NGOs.

AMERICAN UNIVERSITY OF ARMENIA

Question. The American University of Armenia (AUA) offers unique educational opportunities for the people of Armenia, and in the past received an endowment from USAID. How can USAID encourage more effective use of AUA on a regional basis, offering educational opportunities to graduate students from Russia or other former-Soviet Republics?

Answer. The American University is indeed a valuable resource for the people of Armenia, and received an endowment from USAID in the amount of \$9,576,000 in 1999. AUA has found a unique niche as a graduate institution in Armenia, supplementing the undergraduate education provided by local universities. It offers English-language education in business administration, political science and public policy, international and comparative law, public health, earthquake and industrial engineering, and English language teaching. AUA's attention to these professional fields has strengthened and expanded local understanding of the international environment, market economics, public policy, and, ultimately, democratic values.

Greater awareness of AUA programs will be instrumental to its becoming a regional educational institution. USAID will encourage the use of AUA by students from Russia and the other former-Soviet Republics by supporting the broader dissemination about AUA's programs among its regional missions and their implementing agencies and partners. In addition, USAID has strongly encouraged AUA to work towards completing the requirements for accreditation. AUA has been consulting with the Western Association of Schools and Colleges, which will visit Armenia in June 2002, to further the discussion. USAID hopes that AUA will complete the necessary requirements for accreditation by that body, which will make the degree more attractive outside of Armenia.

Finally, in an effort to direct the institution toward financial sustainability, USAID has discussed marketing of AUA's services to other USAID sponsored programs and international donors. This has resulted in the renting of conference facilities and office space of the University's new Business Center as well as use of local expertise from AUA's newly established Policy Unit to produce social and economic studies and analyses. USAID has provided recommendations on how to strengthen the Policy Unit to expand this type of service.

NAGORNO-KARABAKH: RATE OF IMPLEMENTATION

Question. The situation in Nagorno-Karabakh continues to be dire, with assistance needed on all fronts—from education to healthcare and infrastructure development. Are USAID's programs in Nagorno-Karabakh running at full capacity?

Answer. While the needs of the people in Nagorno-Karabakh are great, USAID is currently managing an appropriate, targeted humanitarian assistance program to Nagorno-Karabakh. Since 1998 \$15.8 million has been obligated for this program and USAID plans to obligate a total of \$20 million for humanitarian assistance by the end of this year. USAID will continue to do work beyond the \$20 million goal in program areas to be identified in the future.

The current program includes activities to foster the self-reliance and dignity of the vulnerable in Nagorno-Karabakh by providing community access to potable water, rehabilitating selected shelters and schools, strengthening the health care system and addressing economic challenges by providing employment and income

generation opportunities. There is also a project in place aimed at raising the standard of living for women and their families by providing financial services to urban and rural women. Significant resources devoted to shelter, water, and school infrastructure rehabilitation involved strong community participation and some opportunities for local employment. Finally, USAID is supporting a manual de-mining activity that will train and equip two manual mine clearance teams to operate across Nagorno-Karabakh and destroy unexploded ordnance there. USAID will soon solicit interest from NGOs and PVOs to implement additional programs in the areas of shelter rehabilitation and health as well as extend the present manual de-mining activity and provide final funding for the current women's microcredit activity. USAID believes that its humanitarian assistance programs in Nagorno-Karabakh are running at full capacity; on a per-capita basis, they are well above those in the rest of Azerbaijan.

NAGORNO-KARABAKH: UTILIZATION OF HUMANITARIAN ORGANIZATIONS LIKE CRS

Question. Could more assistance be provided to humanitarian organizations in Stepanakert, such as Catholic Relief Services (CRS)?

Answer. All assistance to Nagorno-Karabakh has been obligated to humanitarian organizations. In general, humanitarian assistance has focused on aiding people living beyond the vicinity of Stepanakert as their needs have been recognized as greatest. However within Stepanakert, USAID assistance has resulted in the establishment of a central family care facility for mothers and children, the completion of a training room in the Stepanakert Pediatric Hospital, and training of health-care professionals. Implementing organizations of the nearly \$12 million of assistance already expended include Catholic Relief Services, Family Care, Save the Children, United Methodist Committee on Relief (UMCOR), International Committee of the Red Cross (ICRC), and HALO Trust. In July 2001, USAID granted Catholic Relief Services an additional \$3 million to begin implementing a humanitarian activity aimed at improving community access to potable water, strengthening the health care system and addressing the economic challenges by providing employment and income generating opportunities. This summer, USAID plans to solicit interest from NGOs and PVOs to implement additional programs in the areas of shelter rehabilitation and health. Incremental funding will also be used to extend the present manual de-mining activity by HALO Trust and provide final funding for the current women's micro-credit activity. USAID believes that currently planned funding levels are adequate to address the needs of this program.

NAGORNO-KARABAKH: ACTIVITIES THAT FOSTER REGIONAL STABILITY

Question. Given the current stalemate in peace talks over Nagorno-Karabakh, has USAID considered implementing regional development/training programs to bring together Armenians, Georgians, and Azeris? (for example, training journalists from the region in Georgia)

Answer. USAID has implemented a number of programs responsive to, and encouraged by, language on "confidence-building measures" included in the Foreign Operations Appropriations legislation.

In 2000, USAID supported a series of workshops for women from all three Caucasus countries. The purpose of this activity was to increase the role of women in economic, political, and social life; and to promote and reinforce cooperation among women from all three countries.

Also, beginning in 2001, USAID supported production of a series of 24 interactive video links between influential individuals in Azerbaijan and Armenia to increase mutual understanding and tolerance. The television talk shows, entitled "Front Line", covered a broad range of social, political and cultural issues. This 24-part series included topics such as refugees' issues, the peace process, children and war, environment, transportation, trade and conflict, joining the Council of Europe and others. The potential audience was over five million viewers in Armenia and Azerbaijan.

Internews/Armenia, in cooperation with the Internews programs in Georgia and Azerbaijan, produces and distributes weekly trans-Caucasus news exchange programs. The themes include employment, national dance and song, volunteerism, odd professions, political parties, transportation and roads, industry and other. Seventeen regional television stations in Armenia broadcast the program.

In 2001, USAID funded the "Momentum" program for fifty participants from local government, mass media and NGOs. The goal of the program was to support the preparation of young decision-makers in Armenia to participate in policy development and self-governance as well as to develop conflict resolution and leadership skills. The program is carried out by the Conflict Management Group which aims

at creating a regional network of new leadership capable of building democratic infrastructure and proposing realistic alternatives to democratic and cross border conflicts in Armenia and the Caucasus region. In 2002, USAID plans to sponsor two more training programs on conflict management.

USAID/Armenia also plans to support a youth exchange activity within its civic education program implemented by Junior Achievement. The students from Georgia, and particularly from Abkhazia, along with students from Armenia, will participate in week-long summer camp programs in Armenia. USAID also participates in regional workshops focused on Local Economic Development that involves participants from all three countries who work in this area.

In addition to the above, USAID is implementing a Regional Water Activity which brings together middle-level civil servants to dialogue on technical issues concerning the Kura and Aras river basins and ways to preserve them through rational water management systems.

In the course of developing its new country development strategy for Armenia for fiscal years 2004–2008 USAID plans to undertake analysis in the area of conflict prevention. USAID Georgia conducted a conflict vulnerability assessment in 2001 and has an extensive community development program aimed at reducing tensions in Georgia.

SOUTH ASIA/AFGHANISTAN

Question. Has the Administration firmly determined \$148 million to be the fiscal year 2003 budget request for Afghanistan?

Answer. No. The Administration is reviewing the needs of Afghanistan and has not yet determined total fiscal year 2003 requirements.

Question. What programs and activities, both short and long-term, are USAID considering for Afghanistan?

Answer. We understand the importance of having a strategy that both makes an impact in the short run and lays the foundation for Afghanistan's long-term recovery. Our immediate high-impact activities include the following:

- USAID is rehabilitating the Women's Ministry for its opening ceremony on International Women's Day, March 8.
 - We are printing and distributing secular textbooks—9.7 million books, for the 1.5 million children expected to return to school on March 23.
 - We are continuing our deliveries of food aid and seeds. The first seed deliveries began on March 14, and are marked with the American flag and "gift of the American people" in Dari and Pashto.
 - We are negotiating with WFP to provide food salary supplements to 270,000 civil servants for 6 months.
 - We will support the vaccination of 2.2 million children through the UNICEF measles vaccination campaign in April.
 - USAID has responded to the Interim Authority's request to support the establishment of a Central Bank by providing technical assistance.
- Long-term rehabilitation efforts will be guided by a strategy that has been vetted through the interagency process. The USG effort will focus on four areas:
- First, repatriating and resettling refugees and internally displaced persons.
 - Second, reestablishing food security. This will be done by restoring livelihoods to create economic capacity to purchase food and other basic needs; improving basic health; and introducing alternative crops.
 - Third, Creating conditions for stability. We must provide alternatives to those who now benefit from conflict, terrorism, and drug trafficking. This will be done through rehabilitating the agriculture sector, with a focus on crop substitution, and through developing the country's seed systems. Water availability is critical, as are the access to credit, livestock rehabilitation, improvement of horticulture, and mine awareness. We will mobilize primary education and invest in community health as well.
 - Finally, we will work to rebuild Afghanistan as a nation state, through developing governance and rule of law institutions, and reestablishing functioning markets and improving the investment climate, particularly for agriculture.

ESTABLISHMENT OF A FREE AND INDEPENDENT MEDIA

Question. Do you agree that the establishment of a free and independent media is critical to the long-term development of Afghanistan and Pakistan?

Answer. Yes. Free and independent media is essential to facilitating political participation, providing an outlet for dissident voices, and providing civil society with an independent check on government, all necessary for long-term peace and stability in both Pakistan and Afghanistan. In Afghanistan, President Karzai has recently

signed a new media law providing for a free print and broadcast media sector. USAID believes this is a first and very important step in creating a society in Afghanistan that can resort to dialogue and debate before conflict and fighting.

USAID has distributed 30,000 radios, provided support to VOA for 8–9 stringers, funded production of daily Human. Info Bulletin; Radio Kabul; media advisor for Chairman Karzai. We have committed funds to rebuild a school to train reporters.

Question. What programs is USAID currently sponsoring that promote responsible media in those countries?

Answer. USAID has provided Internews with a \$1 million grant to accomplish three objectives in Afghanistan in the next 8 months: (1) training Afghan journalists to provide balanced and fair reporting; (2) ensuring coverage and reporting on political, economic, and social issues during the reconstruction and transitional period; and (3) advising and guiding the development of a media regulatory framework that creates an environment in which independent media can thrive.

At this time there are no USAID programs working with the media in Pakistan.

CAMBODIA

Question. The February 3 commune elections in Cambodia were neither free nor fair, and over 20 opposition candidates and activists were murdered in the run up to the polls. Despite these major challenges, the democratic opposition led by Member of Parliament Sam Rainsy gained seats and popular support throughout the countryside.

With parliamentary elections scheduled in Cambodia for next year, how does USAID intend to support the democratic opposition to compete in—and win—these polls?

Answer. USAID/Cambodia has just submitted its 3-year interim country strategy to USAID/Washington for approval. Subject to Agency approval, the Mission intends to provide support to all significant political parties that forswear violence and accept competition in democratic elections. Rationales for, and examples of, the kinds of assistance USAID may provide include:

- If Cambodia is to deal with pressing development issues in the next five years, the 2003 election will need to include debates over fundamental economic growth, health, education and natural resources management issues. USAID technical assistance could help stimulate debate within and between parties on how to address these key development issues and articulate a choice on these issues for the voters so that the new government has a popular mandate for difficult changes.

- Cambodia's political parties need to be nurtured as institutions. USAID technical assistance could help political parties develop forums for broader and more inclusive discussions and debates on critical political issues over time, and to develop party platforms.

- USAID technical assistance could help political parties (at the national and grassroots levels) develop more effective and internally democratic procedures and to improve their organizational capabilities, leadership skills and message development. This assistance could include expanding, improving and maintaining organizational structures, increasing internal party communications, and planning and executing party activities (such as membership recruitment and fund raising).

USAID technical assistance could encourage and aid the participation of women in political life. This assistance could include working with women candidates seeking public office from all parties, in multiparty or separate single-party programs. Assistance targeted to female party members can help to foster their interest in issues of special importance to women. USAID technical assistance could also support the development of caucuses of elected women officials.

Question. The fiscal year 2003 budget request includes \$17 million for Cambodia, of which an undetermined amount of funds will be used to “strengthen the National Assembly.” What programs is USAID considering for the National Assembly?

Answer. A recently completed assessment of democracy and governance assistance options for Cambodia concluded that assistance to the National Assembly would not yield sufficient democratic returns. Therefore, assistance to the National Assembly is not foreseen at this time.

Question. Does USAID believe the Assembly to be anything more than a rubberstamp institution dominated by the ruling Cambodian People's Party?

Answer. Yes, executive interference and the influence of patronage politics do limit the Assembly's ability to review and monitor the implementation of enacted laws and policies, including use of government funds by the executive branch. But

we have seen progress. The National Assembly is more independent and assertive than it was prior to 1998.

Question. USAID recently completed an assessment in Cambodia. What are the findings of that assessment regarding the status of the rule of law in Cambodia, and does USAID consider the Cambodian legal system to be impartial and credible?

Answer. The rule of law is severely lacking in most areas. Wealth and political power rather than justice serve as the basis on which disputes are resolved. Human rights abuses are common. Notorious offenses, including trafficking of women and children, undermine fundamental rights. The structural base for rule of law is incomplete and the laws that exist are only rarely enforced. USAID does not consider the Cambodian legal system to be impartial and credible at this time.

BURMA

Question. The primary responsibility for Burma's many ills—from illicit drug cultivation to an explosive HIV/AIDS infection rate—is the oppressive and illegitimate rule of the State Peace and Development Council (SPDC), and the inability by the regime to evidence good governance. Do you believe that the NLD is the legitimate government in Burma?

Answer. The United States has full diplomatic relations with the Government of Burma. The State Department advises that we have downgraded our representational status in Rangoon from Ambassador to Charge d'Affaires because of the regime's repressive policies and human rights abuses. We strongly support the NLD and have called on the Government to implement the results of the 1990 elections.

Question. In order to maintain accountability and transparency—and to ensure deliverability of assistance in a lawless environment—do you agree that international nongovernmental organizations (INGOs) operating in Burma should regularly consult with donor countries, including the United States?

Answer. There are a small number of INGOs operating inside Burma with U.S. Government funding. We and they agree that regular consultations with the U.S. Embassy in Rangoon—as well as the Department of State in Washington, the USAID office in Bangkok that monitors USAID-managed programs in Burma, and USAID/Washington—are essential to maintaining adequate program oversight, monitoring conditions in Burma that effect foreign assistance efforts, and coordinating with other assistance programs.

Question. Will exclusion of the NLD from the consultation process on programs conducted by INGOs in Burma marginalize the NLD?

Answer. The position of the NLD within Burma and internationally is no way dependent on either foreign assistance provided by international donors or on programs conducted by INGOs in Burma.

COLOMBIA/ANDEAN REGIONAL INITIATIVE

Question. Last week, President Pastrana ordered the Colombian military to enter FARC's safe haven, bringing to an end the efforts of his government to achieve a political solution to the country's 38-year civil war.

FARC guerillas have repeatedly undermined the peace process. During the past 30 days alone, FARC staged 170-armed attacks and hijacked an aircraft carrying the president of Colombian Senate's peace commission.

—How will the collapse of the peace talks impact the ability of USAID to carryout its alternative development and democracy building activities in Colombia?

—Should it prove impossible to effectively and efficiently conduct these activities in Colombia, will USAID seek to reallocate to Colombia's neighbors, particularly Bolivia, to bolster their alternative development activities?

Answer.

—At this point in time, the collapse of the peace talks has not affected our ability to implement USAID programs in Colombia.

—Resumption of government control in the former "despeje" zone controlled by the FARC has led to requests for us to expand some of our democracy and human rights activities there. We are helping the Colombian Human Rights Ombudsman's office to establish a presence in the zone. This includes putting in place an early warning system designed to prevent massacres and forced displacements. We are also responding to a request from one of the municipalities in the zone to put in place dispute resolution services in the area through our "casas de justicia" program. Both of these programs have previously been implemented elsewhere in Colombia and have shown positive results.

—The FARC is reported to have withdrawn at least part of its forces from the safe haven prior to President Pastrana's announcement and there have been clashes between FARC and AUC forces in Putumayo. These factors have tempo-

rarily slowed implementation of USAID's alternative development and local governance activities in the area. As the USAID internal program evaluation and the GAO correctly pointed out, violent conflict and the lack of central government authority hinder the successful implementation of Alternative Development programs in Colombia. However, these characteristics of Putumayo have not markedly changed since the end of the safe haven.

We expect violence will remain higher than usual in the weeks approaching the presidential elections and change of administration in August. We do not expect that the continuing violence will seriously hamper our Alternative Development activities, because our field based monitoring systems allow us to detect problems before they become serious and take corrective action. If the situation were to deteriorate dramatically, we would clearly adjust our program in order to mitigate any regional instability.

USAID OFFICE OF TRANSITION INITIATIVES

Question. OTI has a proven track record of responding effectively to global crises, be in East Timor or Afghanistan. The fiscal year 2003 request includes a \$5 million increase in OTI funding (to a level of \$55 million). Is this increase sufficient, given OTI's proven ability to get on the ground and operational in an effective and efficient manner?

Answer. I believe that Office of Transition Initiative's (OTI) funding level for fiscal year 2003 will be enough to allow the Office to respond to the high priority needs for transition assistance during the year. OTI has done an excellent job of using its resources efficiently and concentrating them on those transition countries where the assistance can be most effective. The Office must continue to husband its resources carefully, even with the five million-dollar increase in fiscal year 2003, because the need for transition assistance is pressing in the aftermath of the September 11 tragedy.

SUBCOMMITTEE RECESS

Senator LEAHY. Thank you very much, that concludes the hearing. The subcommittee will stand in recess until 10 a.m., Wednesday, March 6, when we will meet in room SD-124 to hear from Roger P. Winter, Assistant Administrator for Democracy, Conflict and Humanitarian Assistance, Agency for International Development.

[Whereupon, at 11:50 a.m., Tuesday, February 26, the subcommittee was recessed, to reconvene at 10 a.m., Wednesday March 6.]

**FOREIGN OPERATIONS, EXPORT FINANCING,
AND RELATED PROGRAMS APPROPRIATIONS
FOR FISCAL YEAR 2003**

WEDNESDAY, MARCH 6, 2002

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

The subcommittee met at 10:07 a.m., in room SD-124, Dirksen Senate Office Building, Hon. Patrick J. Leahy (chairman) presiding.

Present: Senators Leahy and McConnell.

AGENCY FOR INTERNATIONAL DEVELOPMENT

STATEMENT OF ROGER P. WINTER, ASSISTANT ADMINISTRATOR FOR
DEMOCRACY, CONFLICT AND HUMANITARIAN ASSISTANCE

OPENING STATEMENT OF SENATOR PATRICK J. LEAHY

Senator LEAHY. Good morning. I am pleased that the subcommittee is holding this hearing on State Department and USAID democracy and human rights programs.

I especially want to thank Senator McConnell. He has been a strong supporter of these programs, often in countries that are not on the front pages of the papers, although the issues are just as important, obviously, to the people who are there. It was Senator McConnell's idea to hold today's hearing.

I have to go to an antitrust hearing in Judiciary. This sort of thing happens when you have too many things going on at once, but Senator McConnell will chair this hearing after I leave.

I see Lorne Craner, the Assistant Secretary of State for Democracy, Human Rights, and Labor. He has a lot of experience with these issues. I think the administration made a superb choice in putting him in this position.

We were just talking about Roger Winter's involvement with refugee resettlement in Vermont. He is the Assistant Administrator of USAID for Democracy, Conflict and Humanitarian Assistance. He spent 20 years as the Executive Director of the U.S. Committee for Refugees.

Now, USAID has requested \$991 million for these activities in fiscal year 2003. I want to make darned sure, when you are talking nearly \$1 billion, just exactly what is the definition of democracy and human rights.

For example, the State Department was unable to tell us how much it is requesting for fiscal year 2003 and how much it expects

to spend in fiscal year 2002 because the funding is spread among so many different bureaus. Mr. Craner, I know you are going to want to find this out as much as everybody else.

This subcommittee has a strong interest in supporting both of you. I believe it is impossible for a country to prosper economically without transparent representative government accountable to its people, respecting the rights of freedom of expression and association. I have discussed this with the President and with Secretary Powell. I said we are signing checks all over the world, or at least promissory notes, in our fight against terrorism. I want to make sure just where it is going, where the money is coming from, and for what purposes.

We see what happens when human rights and opportunities for open political participation are subverted. Zimbabwe, Serbia, Indonesia, and Haiti are some recent examples. We have been wanting to be helpful in each of those areas, but we have seen what happens when human rights are crushed and political dissent is subverted, corruption flourishes, and it becomes a thin line between where government ignores violation of human rights and where government is involved actively in those violations of human rights.

We have learned about how to promote democracy and human rights partly from our own mistakes, but I am convinced we can do better.

Now, I know these are not top priorities for either the State Department or USAID. Congress established the State Department's Human Rights Bureau almost 25 years ago. It has been consistently underfunded and marginalized within the Department. That has happened no matter which party has had the White House.

USAID's democracy and human rights programs have to compete with a whole lot of other priorities like disaster and food assistance. I want to make sure, Mr. Winter, that you can support democracy and human rights and not get distracted by humanitarian emergencies, although sometimes I recognize they overlap.

The State Department and USAID have different approaches to democracy programs. In many countries there is a lack of coordination. USAID usually takes a longer-term approach which involves strengthening civil society and many of the same kinds of activities as traditional development work. The State Department sometimes is skeptical of these long-term programs. I think of such things as just working to get both boys and girls into schools. In the first year, it is not going to make an awful lot of difference. In the second year, it will not. But eventually it does. Eventually it will make a big difference to that society. And USAID needs to recognize that strengthening democracy is inherently political.

I am concerned that at the State Department each regional bureau has its own funds for democracy and human rights activities in addition to the programs Mr. Craner oversees. It makes it hard for one bureau to determine what the other is doing and where we are going.

PREPARED STATEMENT

I will put my whole statement in the record. Mr. Craner, I want you to know that I am concerned about the certification on human rights in Colombia. I know this is expected soon. Many people

would say expected too soon. The Colombian military has improved its rhetoric. They have taken a few positive steps. Some aspects of the situation are not better; it is even worse. And I do not think any objective person could find that our law, if you follow the letter and the spirit of the law—which requires the Colombian military to take effective measures—has been met.

And with that, I turn this over to Senator McConnell.
[The statement follows:]

PREPARED STATEMENT OF SENATOR PATRICK J. LEAHY

Good morning. I am pleased that the Subcommittee is holding this hearing on State Department and USAID democracy and human rights programs, and want to especially thank Senator McConnell. He has been a strong supporter of these programs—often in countries that are not on the front pages of the newspapers, and it was his idea to hold today's hearing.

I would like to welcome our two witnesses. Lorne Craner, Assistant Secretary of State for Democracy, Human Rights, and Labor has a great deal of experience with these issues. He is a superb choice for the important position he holds.

Also with us is Roger Winter, Assistant Administrator of USAID for Democracy, Conflict and Humanitarian Assistance, who came to USAID last year after twenty years as the Executive Director of the U.S. Committee for Refugees.

USAID has requested \$991 million for these activities in fiscal year 2003. That is a lot of money, and I am interested in knowing what you mean by “democracy” and “human rights”. I have a feeling we may be talking about some different things.

Unfortunately, the State Department was unable to tell us how much it is requesting for fiscal year 2003 or how much it expects to spend in fiscal year 2002, apparently because this funding is spread among so many different bureaus. Mr. Craner, I suspect you would like to know this as much as we would, to find out what everyone at the State Department is doing in your area.

This Subcommittee has a strong interest in supporting both of you. I believe it is impossible, over the long term, for a country to prosper economically without transparent, representative government that is accountable to its people and respects the rights of freedom of expression and association. We have seen what happens when human rights and opportunities for political participation are suppressed or subverted. Zimbabwe, Serbia, Indonesia, and Haiti are some recent examples, where corruption flourishes and governments have ignored or even perpetrated human rights abuses.

We have learned a lot about how to promote democracy and human rights, partly from our mistakes. But I am convinced that we can do better. It is no secret that these are not top priorities for either the State Department or USAID. Congress established the State Department's human rights bureau almost 25 years ago. To this day, this bureau is consistently underfunded and marginalized within the Department, regardless of which party occupies the White House.

At the same time, USAID's democracy and human rights programs are embedded in a bureau where they must compete with a range of other priorities, like disaster and food assistance. Mr. Winter, since those areas are your expertise, I wonder if you are going to be dealing with humanitarian emergencies, instead of democracy and human rights.

We are told that the State Department and USAID have different approaches to democracy programs, and that in many countries there is a lack of coordination. USAID usually takes a longer-term approach, which involves strengthening civil society and many of the same kinds of activities as traditional development work, while the State Department is more focused on political parties and elections, and has often been skeptical of longer-term, less-direct approaches.

There have been times where these two approaches have been successfully integrated, but we hear that your efforts have often ignored each other or acted at cross-purposes.

USAID needs to recognize that strengthening democracy is inherently political, and that it often involves actively supporting key opposition figures who are committed to—and often risk their lives for—democratic reform and human rights. It is also important for the State Department to understand that it can be a mistake to put too much emphasis on individuals, rather than on building democratic institutions.

I am also concerned that at the State Department each regional bureau has its own funds for democracy and human rights activities—in addition to the programs

that Mr. Craner oversees. This makes it hard for one bureau to determine what others are doing, and it makes budgeting and oversight difficult for the Congress. As I mentioned, the State Department can't even tell us how much it is spending.

I unfortunately have two other hearings, including one in the Judiciary Committee, that I am also supposed to be at so I cannot stay here long. But I do have several questions that I will submit in writing, and I will review the transcript of the hearing.

My hope is that today's discussion will shed light on what works, what does not work, and, if you had additional resources, how you would use them. Senator McConnell and I strongly support these programs and want to be sure that you are getting the help you need.

One final word: Mr. Craner, I want you to know that I am very concerned about the certification on human rights in Colombia. I know this is expected soon—too soon in my opinion. The Colombian military has improved its rhetoric, and they have taken a few positive steps. But overall, the situation has not improved, and in some aspects it is worse. I do not believe that any objective person could find that our law, which requires the Colombian military to take "effective" measures, has been met. I hope you will use your position to ensure that the law is implemented as we intended.

OPENING STATEMENT OF SENATOR MITCH MCCONNELL

Senator MCCONNELL. I thank my friend, the chairman. He is my second favorite person who has ever chaired this subcommittee.

A good and dear friend, and I thank him today for allowing us to have this hearing. Thank you very much, Pat.

Let me begin my remarks with a quote from a man who brought down the Iron Curtain and consigned communism to the ash heap of history. Ronald Reagan, who embraced the power of ideas and freedom, said in his 1981 Inaugural Address that "no weapon in the arsenals of the world is so formidable as the will and moral courage of free men and women. Let that be understood by those who practice terrorism and prey upon their neighbors."

As the Soviet Union and now the Taliban and al-Qaeda network in Afghanistan found out, no truer words have ever been spoken. Where America's crusade for freedom empowered the oppressed to discard the decaying Soviet system in the 1980's, no less an effort must be waged to undermine and eliminate the breeding grounds for today's evil empire, which are terrorists and their violent cells.

While bombs and bullets are already slaying the foot soldiers of extremism, the global advancement of democracy and the rule of law will help guarantee that no port is safe for terrorists.

The attacks of 9/11 make this morning's hearing on democracy and human rights programs even more imperative and timely. These activities are not relics of the cold war, as some have asserted, but sound investments against new threats and conflicts.

The debate is no longer whether America should sponsor democracy and human rights programs, but where these activities are most urgently needed, how they are most effectively conducted, and just how much more we should spend on the promotion of democracy and human rights abroad.

While the Muslim world may be the most obvious target for these programs, we should not discount those countries that are either closed or in transition. Ongoing democracy and human rights activities should be increased throughout Asia, including in Cambodia and Indonesia, and renewed commitments should be made to the champions of democracy in Burma ably led by Aung San Suu Kyi and the National League for Democracy. In the Caucuses, special emphasis should be placed on immediately instituting pro-

grams that will blunt the sharp sting of political succession in Georgia and Azerbaijan. In the former Soviet Union, political and legal reforms in Russia and Ukraine must remain a priority for the United States. And in Africa, human rights and political reform activities should be bolstered in Nigeria and Zimbabwe, two countries that are again at the brink of failed-state status.

The conduct of these programs is decentralized and diffuse. Within the State Department, the Bureau for Democracy, Human Rights, and Labor, DRL, operates with a \$13 million budget that is supplemented by activities funded by various regional bureaus and USAID. It is unclear to me who has day-to-day responsibility for the democracy and human rights portfolio or how consistency in programming is maintained. I would offer that centralizing the authority and oversight of activities would increase the efficiency of these programs, thus maximizing the effectiveness of every human rights and democracy dollar we spend.

With the exception of the annual request for DRL's Human rights and Democracy Fund, the total amount America spends on democracy and human rights programs in a single fiscal year remains somewhat elusive. For example, I have seen estimates that place the fiscal year 2001 expenditures on democracy programs anywhere from \$390 million to \$500 million. USAID's fiscal year 2003 request of \$960 million for democracy and governance programs is an improvement, but in 1 year alone, Americans will spend twice as much on chewing gum than we do on advancing democracy abroad.

Let me close by commending President Bush for his steadfast leadership during these uncertain times. He is right to affirm, as he so strongly did during the State of the Union address, that "America will always stand firm for non-negotiable demands for human dignity, the rule of law, limits on the power of the state, respect for women, private property, free speech, equal justice and religious tolerance. America will take the side of brave men and women who advocate these values around the world."

I want to thank you very much, gentlemen, for being here. What I would like to do is ask Mr. Winter and Mr. Craner to summarize their remarks, I guess Mr. Winter going first. And we will put your full statements in the record.

SUMMARY STATEMENT OF HON. ROGER P. WINTER

Mr. WINTER. Thank you, Mr. Chairman.

The Bureau for Democracy, Conflict, and Humanitarian Assistance is a new pillar bureau within USAID. The Office of Democracy and Governance has been moved into the former Bureau for Humanitarian Response.

With respect to our budget request for the coming fiscal year, we have requested an increase of \$100 million for democracy programs alone. That is an indication, along with the fact that the Bureau's name starts with the word "democracy", of the priority that we attach to this. I have been in the humanitarian assistance field for a long time. I see what the lack of democracy does to actual people on the ground all over the world.

USAID's democracy programs operate within a framework which is developed by the Department of State in consultation with us

and with others. USAID is the primary implementer of that policy, but the way the program operates, it is in fact a partnership.

In the interest of time, as suggested by your staff, I would like to focus on what we are looking to do differently after September 11.

First of all, we do realize the need for new approaches. Within the mix of things, Afghanistan of course is unique and we have, as you understand, a huge commitment on the humanitarian and rehabilitation side.

But on the democracy and governance side, we are currently supporting a good chunk of the civil service sector within the transitional government to assure that governance actually delivers the basics to the Afghan people. We are committed to strengthening the institutions created by the Bonn Accords and are doing so, for example, with the Commission on Justice and Human Rights that the new government has set up. We are prepared to assist in a whole variety of ways with respect to the upcoming Loya Jirga to assure that it establishes government institutions that are legitimate, inclusive, and effective.

We are, within the region, shifting our resources to assist states on the front line in the war on terrorism. We are opening missions in Pakistan and Afghanistan. We are beginning large democracy programs in both of those countries. We are investing more for democracy in the Central Asian republics. We are initiating a new democracy program in India. We are adding in a substantial amount of additional resources for a democracy program in the Philippines. And these are only the beginning.

Within the administration there are not finalized commitments yet for funding needs for these kinds of programs. This is, in some senses of the word, a work in progress.

Besides increasing resources, we are also changing, to some degree, our program emphasis, particularly in the Central Asian republics. We are more overtly addressing assistance to human rights activists. Our programs in Pakistan and the Philippines will focus heavily on building state capacity so that these partner governments in the war on terrorism can deliver to their civilians.

In Central Asia specifically, as soon as the war on terrorism began, some thought our continued commitment to democracy there would be compromised in exchange for support in the terrorism war. The answer from the highest levels of this administration was, no, it will not be compromised, and increasingly our dollars are focused on independent media and human rights activists. Our resources are not focused on propping up government ministry programs.

We are cutting back in some places too. We are cutting back in Kazakhstan and Kyrgyzstan because we have been supporting programs that have proven to be unproductive, but we are continuing and expanding our programs with human rights activists and independent media.

In Uzbekistan, we are expanding, by several million dollars, our overt support for legitimate political dissent.

In Pakistan, we are very focused on taking steps to ensure that the parliamentary elections in the fall are well implemented. We are assisting universities and think tanks to provide quality public

policy guidance to the Pakistan Government in the areas of fighting corruption and devolving the over-centralized government to lower levels. We are seeking an additional \$8 million to implement the democracy and governance program through the new USAID mission that we are setting up in Pakistan.

And there will be more. It is a very clear priority for us. It is a very clear priority for me personally.

It will be very difficult. As you may be familiar, a couple of weeks ago, there was a Gallup Poll released. It was taken regarding 12 largely Muslim countries.

Senator MCCONNELL. Yes. What did you make of that? Could it be that bad?

Mr. WINTER. Well, I do not know how to argue statistically with Gallup.

Senator MCCONNELL. Are these people living in a totally different world?

Mr. WINTER. To some degree, it appears they do. It can be for a whole variety of reasons.

Senator MCCONNELL. Is it largely because every one of them has a state-owned media that has portrayed an entirely different picture of reality?

Mr. WINTER. I think the issue of independent media is a big piece of it. It is why it is a priority for us.

The figures were shocking. In terms of favorable view of the United States, 53 percent of the population said they did not have a favorable view of the United States. The lowest of those was Pakistan. Only 5 percent of those interviewed said that they had a positive view of the United States. In terms of whether our military action in Afghanistan was justified, 77 percent of those polled said no, only 9 percent yes.

PREPARED STATEMENT

We have a big task before us. We have started to change course in terms of increasing resources to the States that we are concerned with here in terms of shifting the emphasis of what we do, but frankly, this is a work in progress. While it is a priority for us, there is a lot more in this story that needs to unfold over the next few months.

Thank you.

[The statement follows:]

PREPARED STATEMENT OF ROGER WINTER

Mr. Chairman, members of the Subcommittee, thank you for inviting me here today to discuss the U.S. Agency for International Development's democracy programs budget for fiscal year 2003. While I have appeared before the Senate on a number of occasions, this is my first opportunity to do so since becoming USAID's Assistant Administrator early last month.

While new to USAID, I have worked in international humanitarian assistance for several decades, particularly in Africa. I have seen first-hand what happens when democracy is absent and have devoted considerable time to considering how USAID's democracy efforts can contribute to our national interests and to those of the developing countries we seek to benefit.

The Bush Administration has a clear commitment to democracy. It is the one political system which, when effectively instituted, best fosters healthy political and economic competition and inhibits destructive conflict. Peace is the condition that makes economic and social progress possible, and democracy is the system that best assures that peace.

As you are aware, our Administrator, Andrew Natsios, has reorganized portions of USAID. One aspect of this has been the creation of the Bureau of Democracy, Conflict and Humanitarian Assistance, a process that is now well under way. That democracy is the first functional area in this new "pillar" bureau's name demonstrates the priority we ascribe to our democracy efforts. I am very grateful to President Bush, Administrator Natsios, and the Senate for giving me the opportunity to head this bureau and serve my country.

Helping other countries move toward democracy adds directly to our national security and contributes substantially to international stability. As we know, democracies seldom threaten their neighbors or turn their armies against their own citizens. They serve their people, not render them subservient. They seek trade, not territory; talent, not privilege; freedom, not tyranny.

But even in this country, it has taken generations—and plenty of rough and tumble—to refine our institutions and expand our democratic practices to where they are today. We should not be surprised, therefore, that other nations less blessed than ours have struggled along the way. Indeed, many have yet to taste the benefits of democratic government, while others have just begun to do so.

It is natural that the United States is the most important nation in the world when it comes to promoting democracy, the country others look to for ideas, leadership and guidance. USAID was one of the first international development agencies to bring democracy programs to the field, and we continue our pioneering work today throughout the developing world. We should have no illusions, though, that there are easy answers to the challenges we face. Encouraging democracy and good governance is slow, difficult work, even under the best of circumstances.

As the President said during his State of the Union address this January: "America will lead by defending liberty and justice, because they are right and true and unchanging for all people everywhere. No nation owns these aspirations, and no nation is exempt from them. We have no intention of imposing our culture, but America will always stand firm for the non-negotiable demands of human dignity."

This is what Secretary Powell had in mind when he appeared before the Senate Budget Committee last month and said: "Over the past year, I believe the broader tapestry of our foreign policy has become clear—to encourage the spread of democracy and market economies and to bring more nations to the understanding that the power of the individual is the power that counts."

The demands of human dignity and the need to encourage the spread of democracy that the President and the Secretary of State refer to is what motivates our agency, informs our programs, and guides our policies.

The need to do this more effectively was the reason that USAID Administrator Andrew Natsios created the Bureau of Democracy, Conflict, and Humanitarian Assistance (DCHA). As he told this Subcommittee last May: "our experience has proven that by promoting and assisting the growth of democracy, by giving people the opportunity to peacefully influence their government, the United States advances the emergence and establishment of societies that will become better trade partners and more stable governments. By facilitating citizens' participation and trust in their government, our democracy efforts can help stop violent internal conflicts that lead to destabilizing and costly refugee flows, anarchy and failed states, and the spread of disease."

Our democracy and governance (DG) budget for fiscal year 2003 is directed at doing precisely that. In doing so, we coordinate our budget plans closely with the State Department. For this fiscal year, USAID is asking for \$963.6 million for our DG programs. This includes \$199.9 million in Development Assistance funds; \$251.1 million in Economic Support Funds; \$276.7 million for Eastern Europe and the Baltics; and \$235.9 million in FREEDOM Support Act funds for the republics of the former Soviet Union.

Using these ESF and DA accounts, we plan to devote \$125.5 million on democracy and governance programs for Africa; \$178.6 million for Asia and the Near East; and \$117.2 for Latin America and the Caribbean in fiscal year 2003. Another \$34.7 million for democracy programs will come from our Andean Regional Initiative funds.

Approximately \$240 million of these funds will be passed through to other U.S. Government agencies, such as the Departments of State, Treasury, and Justice for their democracy assistance programs.

We are also asking for \$27.8 million for our human rights programs for the coming fiscal year. The promotion and protection of human rights are essential to our democracy-promotion efforts, just as democracy is essential to the realization of fundamental human rights. Of course, our democracy and governance programs contain many human rights elements within them, and we work closely with our colleagues in the State Department to ensure they are well-conceived and coordinated through the ESF process.

Our human rights program consists of three separate elements, each of which helps people with genuine and compelling needs: the Victims of Torture Fund, the Leahy War Victims Fund, and the Trafficking in Women and Children program. As you will recall, Mr. Chairman, we were pleased to announce a one million dollar contribution to the Afghan fund that bears your name when you visited our agency along with the First Lady and Chairman Karzai this January. For fiscal year 2003, we are asking for \$10 million for this War Victims Fund.

In the coming fiscal year, we plan to expand our recent DG efforts in three specific areas: strengthening democratic political parties; fighting corruption, and developing independent media. As scholars like Tom Carrothers have pointed out, there is a lot more to democracy than just holding elections. Indeed, elections are often used to hide other, deep-seated problems in a country's political system.

Currently, we devote only about three percent of our DG budget to political party building. This needs to change. In the coming fiscal year, we expect to put significantly more emphasis on helping political parties become more democratic—and less dependent on individual personalities—as well as broaden their political platforms and forge stronger links between local and national levels. To help us do this, we have awarded a major, multi-year grant to the Consortium for Elections and Political Processes, which includes the International Republican Institute (IRI), the National Democratic Institute (NDI), and the International Foundation for Electoral Systems (IFES).

Nothing undermines a nation's natural vitality and limits its development the way corruption does. Fighting corruption, therefore, has become one of USAID's top priorities, one that we are giving increasing attention to throughout the Agency. As our part of that, DCHA will strengthen its anti-corruption programs in fiscal year 2003, furthering our efforts in public awareness and institutional transparency. One of our key partners in this effort is Transparency International.

A third area where we intend to increase our support is for independent media. For years we have provided technical assistance to national legislatures and media associations to help them craft better enabling regulations for the media. We also fund a number of training programs for journalists in emerging or partially democratic countries. Some of these have had excellent results, such as the one at Western Kentucky University which recently completed training a group of Indonesian radio journalists.

Democracy is an old form of government, dating from Periclean Athens, but managing democracy-promotion programs is something rather new. For all that scholars and political scientists have spent considerable time defining democracy and detailing its various aspects and paradigms, they have provided little insight into how countries like ours can actually assist non-democratic societies to change their way of governing. There is no single answer, of course, no policy or approach that works with every nation. Indeed, each case is different; each country has its own particularities.

But we have learned some important lessons over time. One is the need to evaluate programs very carefully, to analyze what works and what does not, and to determine the particular conditions that influence a country's behavior. USAID is pioneering this approach in the field of democracy promotion. Beginning in 1997, we developed a strategic assessment methodology that helps our field missions determine the constraints to a country's democracy efforts and the best approach to overcoming them. Thus far, we have completed assessments in 26 countries, about a third of the countries in which we have democracy and governance programs.

We have also begun a series of in-depth studies to determine what effect our rule of law, governance, and civil society programs have had on countries in various stages of transition. The first, now completed, looked at three countries where democracy has begun to take root in recent years: Bolivia, South Africa and Bulgaria. What we found in these countries, not surprisingly, was that the political will to make positive change was of critical importance. When that was present, our most effective programs were those that helped governments draft laws and regulations and reform legal and electoral institutions.

In fiscal year 2002, we are continuing these studies in Ghana, Guatemala, and Croatia, and in fiscal year 2003 we will examine our programs' impact in three other states with less democratic governments.

There are always more countries that need help than we have staff and resources to help them with. So we must make difficult choices with our democracy and governance programs, as with every portfolio that USAID handles. However much the needs of other countries press upon us, our highest priority is—and must always be—to serve the U.S. national interest. This means, in the first instance, harmonizing our programs and priorities with those of the President and Secretary of

State. Beyond that, we look to countries that need our assistance the most, and to those where positive change seems most possible.

The events since September 11 have naturally given new emphasis to our relations with Central and South Asia. In response to these events, we have begun to shift resources toward the region, increasing our funding for democracy and governance programs in Pakistan, India, the Philippines and Uzbekistan. While the specifics are yet to be worked out, we expect our DG programs in the "Front Line" states will intensify in the coming year.

As Andrew Natsios noted when he met with the Subcommittee last week, our mission in Afghanistan is back in business for the first time since 1979. Already, DCHA has been providing assistance to the Interim Government, supplying badly needed textbooks and supporting the Women's Ministry. We have also set aside \$5 million to help implement the Bonn Accords, and we stand ready to help the Karzai government as the country prepares for the Loya Jirga later this year.

In Pakistan, where Secretary Powell recently announced the reopening of the USAID mission, we are supporting the national legislative elections scheduled for the fall.

In the past year and half, USAID's democracy and governance programs have proven their effectiveness in several countries. In Serbia, for example, our USAID grantees worked with the opposition parties, playing a critical role in bringing them together so that they could combine their efforts and work together to defeat Slobodan Milosevic.

When scandal forced Peruvian President Fujimori to leave office, we mobilized a team within two weeks that helped pave the way for the honest and transparent elections that put Alberto Toledo in office last spring.

But not every country we work in affords us such opportunities.

In Cambodia, for example, we are just finalizing the strategic assessment of our DG programs. Obviously, as last month's elections demonstrate, the Cambodian government still has a long way to go before it can be considered genuinely democratic.

We are also looking very closely at this weekend's presidential elections in Zimbabwe. We have had democracy programs there for quite some time, supported through the ESF account we manage with the State Department. Some of our funds have supported the Southern Africa Development Community-Parliamentary Forum, which has some 40 monitors on the ground there now. As you may know, the government of Zimbabwe did not accredit the election observers USAID intended to finance. Given the climate in the country, we remain very concerned about how free and fair this election will be.

We are also concerned about the situation in Madagascar, where we are prepared to help make a second round of voting credible—if we have the opportunity. Another country where we have democratic concerns is Venezuela, and we expect to send a DG assessment team from our Offices of Transition Initiatives and Democracy and Governance there later this month to see what might be done.

I have just returned from Burundi, Mr. Chairman, and would like to make a few comments on it. I have been involved in Africa's Great Lakes region for more than 20 years. When I visited Burundi last August, I was somewhat skeptical that the peace process could be implemented according to the Arusha Accords, which were signed in August 2000. Now, however, I believe there is a real opportunity that needs to be seized. While the transition process is quite complicated, it does provide a great deal of attention to strengthening the non-executive functions of government, including the creation of a senate, which is just in its infancy. Having seen the progress made over the last few months, I am convinced this is a process we should seriously assist.

On November 1, Burundi began its 36-month transition. For the first half of that period, the administration is being led by incumbent President Pierre Buyoya and a new Vice President, Dometian Ndayizeye, who recently returned from exile. For the second 18-month period President Buyoya and Vice President Ndayizeye will switch positions and the country will prepare for provincial and national elections.

In my view, Buyoya and Ndayizeye—and many others who have returned from exile—are risking their lives to help Burundi move forward toward more democratic, accountable governance.

We at USAID are committed to helping them succeed. DCHA's Office of Transition Initiatives has already begun a series of new initiatives, our Office of Democracy and Governance is soon to deploy, and our Offices of Foreign Disaster Assistance and Food for Peace continue to make huge contributions to national stability and family survival. At the same time, our Office of Private Voluntary Cooperation is determining how best it can help Burundian NGOs. Also USAID's Africa Bureau and regional support office in Nairobi are working to help Burundi on a number of fronts, including HIV/AIDS.

Together, all these initiatives can have a positive impact on Burundi. They are surely needed. The suffering and poverty of the people of that country are excruciating. For everyone's sake, that needs to change. Last year, for example, the United States spent \$106 million in humanitarian assistance to support the victims of Burundi's past failures. While such expenditures are an expression of our country's deep humanitarian values, it must be our goal to help the people of Burundi move away from that and toward more lasting solutions to their problems. Only internal peace can do that, and only a genuine transition to democracy can consolidate that peace.

In conclusion, Mr. Chairman, I would like to express my appreciation for the support you and the Subcommittee have shown our democracy programs and assure you of my willingness to work with you and your staff on any issues that may concern you.

Thank you.

DEPARTMENT OF STATE

STATEMENT OF HON. LORNE W. CRANER, ASSISTANT SECRETARY, BUREAU FOR DEMOCRACY, HUMAN RIGHTS AND LABOR

Mr. CRANER. Mr. Chairman, Senator McConnell, thank you for the opportunity to testify before you today. Your interest in this topic is welcome, but it comes to me as no surprise. You have both had a longstanding and intense interest in human rights and democracy issues.

Senator Leahy, I have to tell you that I run across the Leahy law regularly, and it is an effective instrument for human rights.

Senator LEAHY. We just want to make sure it is being enforced, and if I am not here to ask questions, I have sent a number of letters to our embassy in Israel asking if it is being properly applied in our aid there. I keep getting a "we'll get back to you." I realize with anthrax, sometimes our mail has been delayed, but now we have a fax machine in the office. So, if you might look into that. We will give you more details on it.

Mr. CRANER. Why do I not get copies and take them back and make sure you get a reply?

Senator LEAHY. Thank you.

Also, of course, my concern on Colombia.

Mr. CRANER. Yes.

Senator LEAHY. Notwithstanding my very strong support of President Pastrana, who I think has taken heroic measures, and my concern about the outrageous conduct of FARC and the killings that they have been involved in.

But thank you. I do appreciate your comment. I only mention that because I know I am going to have to go back to Judiciary, and I just wanted you to have it in the back of your mind. But we will give you those letters.

Mr. CRANER. Okay. I will also tell you on Colombia, there is a great understanding within the administration, not just in my office, that the certification has to be credible or it will not go anywhere.

And, Senator McConnell, I have to tell you you can hardly go to Ukraine or parts of Asia without hearing your name regularly, but I also want to remind you of something you may have forgotten. About 5 or 6 years ago—

Senator MCCONNELL. That is in vain or?

Mr. CRANER. No, always good.

About 5 or 6 years ago, you went to the Senate floor to argue that we ought to be engaged inside of China in trying to move forward reforms there, and it was not a message that went over well at the time. I think in retrospect, a couple of us were way ahead of our time. But that is something that is now regarded as mainstream and something that should be carried forth, and you de-

serve a lot of credit for bringing up the idea first here in the Senate. So, I want to thank you both.

Roger has already outlined, and I think very truthfully, how this administration regards democracy and human rights in the context of the fight against terrorism. That commitment to it is a bipartisan commitment I think that goes back many, many years.

As we have been engaged in this process, I think we have learned a number of lessons about how to help these transitions, and we in the administration believe it is time to examine the lessons and find out if we can do it better than we are doing it. Along with the NSC and OMB, my office DRL is currently conducting a top-to-bottom review of all democracy programs to ensure that they advance, in the most useful and cost effective manner, national interests and subsequent policy decisions.

We are looking through two prisms to do this. One is that it is no longer the case, the concern whether human rights and democracy is an American issue or a British issue or an Australian issue. When you have Mongolia and Mali and Mexico becoming democratic, it is increasingly, number one, an international norm, but number two, an international expectation. It is no longer the case that we go into foreign governments alone. We have a great deal of support when we do it, and we think we need to take that into consideration.

The second issue we want to take into consideration is the goals and methods that we have been using or that we ought to use in the future. I would characterize those broadly as electoral processes, political party assistance. But I think a bigger issue is how to help nations consolidate their democratic gains and how to integrate the economic support that we give to these countries with the reforms that we expect from them, beginning with rule of law issues, and we are going to be trying to get at that better than we have.

While the interagency review is going on, my office, as Senator Leahy noted, has been using this \$13 million pot of funding we have. We changed the priorities. We are trying to focus on countries of great national interest to the United States, and obviously at the moment that is enlarged to include many more countries in the Muslim world. I will not go through some of the projects we have been working on, but we are trying to be innovative and cutting edge in terms of what we are doing to fund things that others might not have funded in the past for various reasons.

PREPARED STATEMENT

I just want to conclude, as I did in my swearing in, by noting that support for democracy building and human rights is a very unpartisan issue in these United States. It makes my job much easier, much more enjoyable. We are at our best when we are united. Often the best example, when I was working at IRI, in a foreign country was for us to walk in with NDI, and it would stun people that the Democrats and Republicans could work together, but we said in our country politics is not a winner-take-all system, that the losing party still survives when they lose power.

I do look forward to working with both of you and your staffs in this review and in the future. Thank you.

[The statement follows:]

PREPARED STATEMENT OF HON. LORNE W. CRANER

Mr. Chairman, Senator McConnell, thank you for the opportunity to testify before you today on the U.S. Government's efforts to assist the development of democracy abroad. Your interest in the topic is welcome, but comes as no surprise; many Members of this Subcommittee have a long-standing and intense interest in democracy building overseas. For that, many in the United States and in other countries are grateful.

For the United States, indeed for the whole world, 2001 was a year in which the importance of universal human rights was brought sharply into focus by global terrorism. On September 11, 2001 the world changed. As President Bush declared in his State of the Union Address, "In a single instant, we realized that this will be a decisive decade in the history of liberty, that we've been called to a unique role in human events. Rarely has the world faced a choice more clear or consequential. . . . We choose freedom and the dignity of every life." This choice reflects both U.S. values and the universality of human rights that have steadily gained international acceptance over the past fifty years.

As the United States and our international partners commit resources to the fight against terrorism, we do so for all those who respect and yearn for human rights and democracy. Our fight against terrorism is part of a larger fight for democracy. In the words of President Bush, "America will lead by defending liberty and justice because they are right and true and unchanging for all people everywhere. No nation owns these aspirations, and no nation is exempt from them. We have no intention of imposing our culture. But America will always stand firm for the non-negotiable demands of human dignity: the rule of law, limits on the power of the state, respect for women, private property, free speech, equal justice and religious tolerance." This world of democracy, opportunity, and stability is a world in which terrorism cannot thrive.

This commitment to human rights and democracy around the globe continues a bipartisan tradition that goes back to our nation's founding, but which was considerably invigorated in the last quarter century. Added weight to the moral dimension of American foreign policy was given first in the 1970s by President Carter on human rights, and then in the 1980s by President Reagan on democracy building.

In the intervening years, we have witnessed great international changes, mainly through the transition of states to more democratic systems. Even in the late 1980s, few among us could have imagined the collapse of the Soviet Union and East Bloc, the end of apartheid in South Africa, a string of increasingly democratic nations throughout East Asia, and the fact that our own hemisphere would, almost without exception, contain only democratically elected leaders. Moreover, a year ago no one could have foreseen the dramatic changes in Afghanistan, a country that suffered under one of the most oppressive regimes in the world, the Taliban. While early signs are encouraging—women choosing whether to wear the traditional burqa when in public, young girls returning to school for the first time in years—the Afghan people have taken only a few steps of a long, painful journey that will take a very long time. They will need considerable help along the way.

Fortunately, after almost two decades, we have learned much about how to assist such transitions. The Administration believes it is time to examine those lessons, and if needed, update, refine and institute policies on democracy building. Along with the National Security Council and the Office of Management and Budget, my office is currently carrying out a top-to-bottom review of our democracy programs to ensure that they advance, in the most useful and cost effective manner, our national interests and subsequent policy decisions. I would like to share with you some of the areas we are examining, and I would like to work with members of Congress to get input.

In undertaking the review, two prisms were taken into account. The first deals with the increasingly international nature of democracy building. The second concerns our goals in pursuing such work.

First, democracy is now accepted as an international norm; it is no longer the case that the United States acts alone, or with one or two other countries, in assisting democratic transitions in other nations. Since the 1990s, other established democracies have joined with us in pursuing, through policy and assistance, the advancement of democratic processes abroad. Over the past few years, nations that understood the costs of dictatorship best—nations such as South Africa, South Korea, Poland, and Chile, to name a few—began offering their experiences to those struggling for democracy and liberty. Indeed, in some regions, it is a dictatorship's neighbors,

more than the United States, that will determine the outcome of a particular nation's transition to democracy.

Additional evidence of the beginning of a set of international norms on democracy comes from efforts such as Romania's United Nations General Assembly resolution on promoting and consolidating democracy, which further describes the elements of democratic governance including civilian control of the military, independence of the judiciary and the right to due process. Further evidence of the beginning of a set of international norms on democracy also comes from the Community of Democracies enterprise. We are working to strengthen these efforts, which illustrate that, in every region of the globe, democracy is now considered to be a desirable norm and not an American or "Western" import. Our review is looking at ways to encourage these developments, while keeping in mind their diverse nature.

A second, broader issue in our review concerns America's goals and methods in pursuing democracy programs.

Electoral processes are an important component of democratic transitions. Indeed, in the early days of democracy assistance, they were regarded as the key indicator of a nation's political transition. Unfortunately, experience shows many authoritarian rulers believe that a poor electoral environment for political participation can be overcome in the eyes of some observers by a well-run election day. This is what some fear this weekend in Zimbabwe. In reality, an open electoral environment and willingness to hand over power in an orderly and prompt manner can go far to ameliorate what may be a less than perfect election day. South Africa in 1993 is a good example. We need to look at these experiences and our programs to determine when, and how best, to assist elections as a milestone in transitions to democracy.

We are also examining our approach to political party assistance. Political parties can be a prime intermediary between the governed and the government; lessening the potential for conflict in a country. To do that, they need to sink roots within the population. An elected, democratically-oriented party also has the potential, more than most other institutions, to hasten a country's transition. Our assistance to such parties is therefore invaluable, but our policies regarding such aid have undergone wide swings in the past ten years. In the early 1990s, for example, we provided material assistance to particular parties in targeted countries, but in the mid-1990s, U.S. non-governmental organizations were being asked by some in government to aid communist and ultra-nationalist parties in former Soviet bloc nations. Somewhere in between lies a policy that adheres to legislative restrictions and assists those who want to advance democracy in their countries.

We also need to determine how best to help nations trying to consolidate democratic gains achieved through the ballot box. As we are learning around the world, political freedom alone is often not enough. In an era of globalization, we are examining our programs to determine how to ensure a good marriage between efforts to enhance political freedom and efforts—bilateral and otherwise—to encourage economic liberalization. In some nations, winners in the democratic competition are many of the same forces that long resisted political and economic liberalization. In others, genuine political reformers don't have the strength or tools to stand up to entrenched economic elites. In such cases, the expected economic benefits of democratization do not materialize in an equitable manner. As a result, citizens become disenchanted with so-called "democracy" and yearn for days of economic stability, even if those days were far from ideal. In some cases, they are often willing to give up a large measure of political freedom to stabilize their economic situation.

The challenge of the first quarter century of democracy building was elections. While expanding our knowledge and honing our tools to assist electoral processes, we must, in the second quarter century, emphasize the challenge of good governance, including transparency, individual liberty, freedom from corruption, and management of transition economies—through the rule of law, a free media, accountable political leadership, labor rights, and a vibrant civil society. As Secretary Powell said, "the answer to the problems of democracy is more democracy." When democratic electoral processes are buttressed by a culture of democracy and a functioning economy, we can consider our job in transitional countries done.

We are also examining whether and how nations that are just beginning to open up economically or politically can be assisted. In most cases that means working through the existing system, trying to catalyze a dynamic that has been instituted by the present rulers. A good example currently exists in the Persian Gulf, where a number of nations with undemocratic political systems have embarked on efforts to expand legislative and electoral authority. Such efforts may, in the end, be unsuccessful, but supporting them for relatively low amounts could pay big dividends in the long run.

Keeping in mind our desire to extend democracy in a universal manner, but not having unlimited funds available to us, we also need to have a solid framework for

focusing our resources. One obvious criteria must be the importance of the country to America's national interests, but we also need to be realistic about the conditions required to have a desired effect. Key to such considerations will be the understanding of the reality that our assistance is unlikely, in and of itself, to create the changes we seek. In countries where the local dynamic is already moving towards democracy our assistance can help leverage the cause in the right direction. The will for change at a national level is therefore pivotal. It makes little sense, for example, to spend millions to train judges in a country where the ruler will not tolerate an increasingly independent judiciary, or fund programs in countries with ample private resources but without the will to pursue democratic goals.

HRDF

While this interagency review is ongoing, we in DRL have tried to take these issues into account to make our Human Rights and Democracy Fund (HRDF) more responsive to the needs of developing democracies and a more effective agent of change. Created by Congress, HRDF grants are provided by DRL to support democracy and human rights projects throughout the world.

In the past few months, we have reoriented the criteria used to make HRDF grants. It doesn't make sense to sprinkle these grants among 80-plus countries of the world. Rather, our approach is to focus on countries of U.S. national interest and identify the most pressing human rights and/or democracy issues in those countries, taking into account such sources as the annual Country Reports on Human Rights Practices, the annual Report on International Religious Freedom, input from the desks, our embassies, experts in the area, NGOs, visits in-country by DRL staff, and so forth. We then formulate innovative, cutting-edge projects that address these issues.

We seek programs or ideas that often have not been tried before in that country or region, or ones that have had merit but may have been deemed too risky by other USG entities. We then coordinate these ideas closely with USAID, the regional bureaus, and posts to increase their effectiveness. HRDF projects must not, for example, duplicate or simply add to efforts by USAID or other offices. In order to maintain a continuous flow of fresh ideas and innovative approaches, we won't use HRDF to fund programs for longer than 2-3 years. At that point, if they are successful, we will spin off responsibility to other entities.

In the short months since I have been on board, we have gotten a number of cutting-edge projects approved. One is to establish an independent printing press in Kyrgyzstan, an idea that had bounced around in one form or another for 3-4 years but could never get any funding because it was deemed too risky and not "commercially viable." This will be an extremely difficult program to implement, given resistance from the Kyrgyz government, logistics, and the daunting challenge of setting up a completely new organization with a sound board and management team. However, this is exactly the kind of idea DRL wants to support, since independent media in Kyrgyzstan has been under enormous pressure in recent years, yet there still exists a degree of latitude in Kyrgyzstan that does not exist in, for example, Uzbekistan.

We have also developed a project to shed new light on the human rights conditions in North Korea. We are funding a program to support South Korean NGOs in their efforts to improve reporting on the human rights situation in North Korea. While the famine justifiably receives much attention, the repressive conditions under which the North Korean people live receives much less. This groundbreaking project will fill an important information gap in the United States and internationally. It will provide NGOs with the means to research and publish accurate, credible reporting on the human rights conditions in North Korea.

In Colombia, the foundation of its long-standing and deeply rooted democracy has been shaken by 38 years of internal conflict. Paramilitary and guerrilla violence continues unabated and these groups are increasingly targeting judicial sector personnel. Although protection programs have been established to provide assistance to many vulnerable populations in Colombia, the immediate needs of justice sector personnel have not been addressed. In response, we are creating a temporary relocation program for threatened judicial personnel, which will provide specialized training to enhance their ability to perform their jobs when they return to Colombia. This program not only serves the immediate need for judicial protection, it also serves the long-term goal of fortifying rule of law, thereby strengthening Colombian democracy.

These are just a few examples of how we are making democracy and human rights programming much more dynamic.

As I said at the beginning, we will be looking to Congress for ideas and thoughts as we undertake this review of democracy programs and continue to provide grants through HRDF. Many of you were here when such programs began in the 1980s, you have traveled to many of these countries, and have much experience and institutional knowledge from which we would benefit.

I want to conclude by noting, as I did at my swearing in ceremony last June, that democracy building has historically been a bipartisan issue. During my days at the International Republican Institute, I worked closely with my counterpart at the National Democratic Institute. Americans are best when we are united; often, the best example we can offer overseas is that politics is not a winner-take-all sport. I look forward to working with Members and their staffs from both sides of the aisle in promoting democracy overseas, for there is much to do.

Thank you. I look forward to answering your questions.

Senator LEAHY. I am going to submit my questions for the record. Mr. Craner, I know you have bureaucratic battles but protecting human rights is an important goal, and we will continue to support you.

You are fortunate to have the support of Senator McConnell, who is one of the most effective Members of the Senate, and has given this a lot more than lip service. He has given a lot of strong support to these human rights efforts.

It is all yours, Mitch.

Senator MCCONNELL [presiding]. Thank you, Mr. Chairman.

I want to go back to the poll a minute. Have you all had any contact with Gallup, or are you just like all the rest of us? You read the results.

Mr. WINTER. I just read it.

Senator MCCONNELL. Somebody ought to—maybe I will—suggest that Gallup take surveys in other parts of the world where there are emerging democracies with at least a somewhat free press. I gather that would certainly apply in a place like Mexico and Mongolia. Do they have a relatively free press there, Lorne?

Mr. CRANER. A relatively free press and a relatively positive attitude towards the United States.

Senator MCCONNELL. I would be interested in seeing whether everybody hates us and everybody is deluded into the notion that somehow 9/11—did not one of the questions suggest that even they thought this was some kind of Jewish conspiracy or something?

Mr. CRANER. Well, again, that is partly a lack of free media.

Senator MCCONNELL. Well, that is my point. It would be interesting if Gallup would survey kind of emerging parts of the world where there is at least some democracy, some evolving democracy, and a relatively free press and compare the results. Then I think it would be easier to attribute this to what we think is the problem, which is not the fact that it is Muslim countries, but the fact that these are undemocratic regimes with state-controlled press that have pandered to the worst elements. We think that is the reason these results came out the way they did, but it seems to me we could use some comparative data to more safely reach that conclusion, and I would think Gallup would be interested in doing something like that.

I would suggest to the staff sitting behind me that we ought to suggest that to them to maybe try to narrow down how this could possibly be. And if it is more a result of undemocratic regimes and state-controlled press, then I think I would feel a little bit better about it, but I do not think we really know.

I believe in surveys. People who are in our line of work take surveys a lot. We plan campaigns by them. They have an enormous impact on public policy debate around here, and my assumption is that these polls were accurate. I have no reason to question the accuracy of it, but I would sure like to know more, if there is some correlation between inability to choose your own leaders and inability to have varying points of view expressed in the media and these results.

So, I am going to suggest that my staff and you all conspire as to how we might encourage Gallup or other reputable polling organizations to give us another look at the under-developed world or at least the emerging democratic world and see if there might not be a better result. Maybe there is not. I do not know, but it sure would be interesting to find out, do you not think?

Mr. CRANER. I think I would be interested. I think also the Secretary and Charlotte Beers would be very interested and very helpful on this.

Senator MCCONNELL. Yes. Let us come up with an effort to encourage somebody independent of our Government. I am not talking about some kind of Government activity here. We need an independent, reputable—Gallup would be fine as far as I am concerned. We need to test public opinion and get some comparisons here.

Mr. WINTER. I would not be surprised if the professional polling firms are not looking to do this because the numbers were so shocking.

Senator MCCONNELL. Well, I do not think we ought to kid ourselves. I would like to find out how they feel.

Mr. WINTER. Absolutely.

Senator MCCONNELL. Do not delude yourself. I think we ought to find out if it is that bad elsewhere. I hope it is not, and it certainly does not change your view of American policy. I think we ought to continue to do what we are doing regardless of what the polls are. I do not think it ought to determine our policy, but it sure would be nice to know what kind of an audience we have got out there.

Mr. CRANER. And how to address it.

Senator MCCONNELL. And how to address it.

Mr. WINTER. Yes, and what do we do about it.

Senator MCCONNELL. Yes. Any other thoughts on that subject from either of you?

Mr. CRANER. No. I think that is a good topic. My assumption is that it is a lack of a free media and all, but I think there is a sense in some countries that we could do better in terms of supporting democratic alternatives and I think we ought to be doing that. But I think this will be useful proof of that.

Senator MCCONNELL. Mr. Winter, you mentioned USAID's emphasis on supporting human rights activists and independent media. Is political party development part of your strategy?

Mr. WINTER. Yes.

Senator MCCONNELL. What are you doing in that area?

Mr. WINTER. It has not been as big a part of our strategy as I think it needs to be, but our long-term aim is to ensure that political parties effectively aggregate the interests of their voters and

then effectively present them into the public governance marketplace.

When we do do this, we coordinate our efforts with the State Department because it is very political in character, and we want to make sure our efforts are not a surprise to anybody. We are also careful to do this kind of activity within legislative parameters and we have constructed a policy for our field staff as to precisely how we ought to engage the political parties. Our preference, when we can do it, is to do it with democratically oriented parties of a variety of perspectives so we are not just linking ourselves to a single party, but sometimes there is only a single democratically oriented party for us to work with.

My personal view—and in conversations with the staff who administer this activity through our Office of Democracy and Governance—is that we need to expand our engagement with political parties and be more direct about it.

Senator LEAHY. Do you have any observations on that point?

Mr. CRANER. I would very much support that. I saw a figure somewhere between 3 and 7 percent of AID's democracy spending is for party assistance, and this was at the beginning of last year. The spending on civil society I think was close to half. As somebody who has done this for a while, I think civil society is very, very important both in the lead up to a transition and cementing a transition. But if one is hoping for a transition in a country, depending on civil society, it will take a long time, whereas a democratic political party can come into office and begin to change the political landscape immediately. So, I think it is worth investing in both in a balanced way.

Senator MCCONNELL. Mr. Craner, you mentioned that State and NSC are conducting a review of these programs. Can a part of the review include consultations with us?

Mr. CRANER. Yes. I think it is important again because as Senator Leahy noted, the concern with human rights and democracy really arose from Congress, and it is important we all be working together on that. Absolutely.

Senator MCCONNELL. What programs can the United States support to encourage a viable alternative, or the political space which may allow the emergence of a viable alternative, to PLO Chairman Arafat?

Mr. CRANER. I think you would not know it looking at television, but there is in my experience a broad swath of people in the West Bank and Gaza who, like people everywhere else, would like to be left alone, would like to be able to make enough money to feed their kids, would like not to be living in a corrupt environment. And I think those people, up till now, have been quiet for one reason or another, but I think we can encourage them. Over the years, when I worked at IRI, we were working with some of those people who would like to be living in a much better economic and political environment, and they do not think they are getting it right now.

Mr. WINTER. For your information, Mr. Chairman, our commitments to West Bank and Gaza are amongst our largest commitments. I do not have the breakdown with me of precisely how those funds are used programmatically and what the split is. I will be

happy to provide it for you, but it is a significant commitment for us.

Senator MCCONNELL. It just popped into my head. I should have mentioned it earlier. Was Turkey one of the countries in the Gallup poll? I do not think it was, was it?

VOICE. Yes, sir, it was.

Senator MCCONNELL. It was? Did they have a breakdown of Turkey only?

Mr. CRANER. They did and I believe it was the most positively inclined towards the United States of all the countries.

Senator MCCONNELL. A country with political parties and at least some modicum of a free press could have an impact on attitude.

Mr. CRANER. And in the last couple of years, partly because they want to get into the EU, is at least passing laws that I think ultimately will pay off in terms of increased democracy and human rights.

Senator MCCONNELL. Is it U.S. policy to consult on a continuous basis with Suu Kyi and the NLD prior to the provision of any assistance inside Burma?

Mr. CRANER. We have insisted on that, that we go and talk to her about particular program ideas.

Senator MCCONNELL. Does this policy extend to any international non-governmental organizations operating inside Burma?

Mr. CRANER. I do not know the answer to that.

Senator MCCONNELL. Speaking of Burma, has anything good happened there? Any ray of hope anywhere?

Mr. CRANER. I think we all had a lot more hope a few months or a year ago than we do today. There have been far fewer political prisoners released than we would have hoped. There is a lot less freedom than I think many people had hoped in terms of political activity, and so I do not see that it is getting near to where a lot of us had hoped it would be by now.

Senator MCCONNELL. Given the importance of China, in terms of U.S. national security and trade interests, should additional resources be provided to activities to promote political reforms and the rule of law in China? And if so, what additional programs can be conducted?

Mr. CRANER. There was this year a congressional earmark on this topic, of which my office I think will be receiving \$5 million.

Senator MCCONNELL. That was my earmark, I am reminded.

One of those dreadful earmarks that all administrations hate.

Mr. CRANER. Of course.

There is a capacity within China to be able to absorb advice from the outside. In the supplemental request that has been submitted, my office was put down for \$4 million, of which I would use at least \$1 million of those \$4 million to put into China. I think there is that much capacity.

In all countries you have an issue of absorptive capacity, how much more could you use, but over time, I expect the absorptive capacity in China to rise greatly, especially with WTO reform. And when I talk about rule of law in China, to me that does not just mean commercial law reform. It means changes in the political or human rights side of things that often are necessitated by economic

reform, but they are much more directly relevant to everyday life for somebody in China.

Senator MCCONNELL. What democracy and human rights programs is the administration considering for Pakistan, and do assistance programs include political party programs?

Mr. WINTER. Well, as I mentioned earlier, in Pakistan we are opening a mission for the first time in a while. We are focused very heavily on the parliamentary elections that are scheduled for the fall. We have made grants directly to a number of think tanks and universities for the purposes of being able to supply the leaders of that government more comprehensive and useful guidance with respect to fighting corruption and devolving government power to a decentralized sort of framework rather than the over-centralized framework that it has now.

Specifically, we have asked for \$8 million. Keep in mind we did not have a mission in Pakistan, and so largely we have not been actively engaged in Pakistan. What we are doing now is we are building up a new capacity and a substantial program.

Senator MCCONNELL. I am just going to warn you I may have to take a brief recess here to do one matter before we wrap up. I apologize for that if I end up having to do it.

There are going to be a number of questions that I would like to submit for the record to get your response to.

I think what I want to say here is that the brevity of this hearing should not be construed to mean a lack of interest in the subject. I am deeply interested in what you are up to. This just happened to have come on a bad day for Senator Leahy and myself. He is deeply interested in it as well I know. I can speak for him on that.

I think we are probably not spending nearly as much as we should in this area if we are going to help bring about real change for the better. It is not just a question of evolving capitalism. That is certainly important too because you cannot have one without the other, but the democracy side has got to evolve as well.

I think of Jordan as an example where there seems to be an incipient democracy. And then what is the little country on the Arabian peninsula that seems to be in the process of opening up?

Mr. CRANER. Bahrain.

Senator MCCONNELL. Maybe those will be countries to monitor very closely to see if our surmise here, that the evolution of democracy and capitalism changes attitudes not only about us but just about things in general. It cannot just be an Islamic problem. It cannot be. People are people. I do not care where they live. Maybe those would be two good countries to see if opening up produces a change in view.

Mr. CRANER. I am hoping to get out there in April to Bahrain, Qatar, and Oman, and possibly Yemen, all of which are certainly by no means perfect democracies, but all of which are making the effort.

Senator MCCONNELL. Right. Well, you never have a perfect democracy to begin with. These things always evolve.

Any final thoughts from either one of you?

Mr. CRANER. No. I think Roger and I have spent a good bit of time together, as I have with Andrew, and I think we are both

committed to working more closely and coordinating more closely than has been the case in the past.

Senator MCCONNELL. Well, I know Pat and I are both intensely interested in what you are doing and want to be supportive. If you will answer the rest of the questions that he has and I have for the record, we would appreciate it.

We will be particularly be discussing with you further an effort to try to get some other polling data out there that might provide an interesting correlation to what we just were shocked to learn about the attitudes toward America in the Islamic world.

Thank you both very much.

Mr. WINTER. Thank you.

Mr. CRANER. Thank you.

ADDITIONAL COMMITTEE QUESTIONS

Senator MCCONNELL. Thank you very much. There will be some additional questions which will be submitted for your response in the record.

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

QUESTIONS SUBMITTED BY SENATOR PATRICK J. LEAHY

STATE—USAID COORDINATION

Question. Mr. Winter, some experts on U.S. democracy programs feel that there is a lack of coordination between USAID and the State Department in many countries. Let me read to you a quote from an article in [the] Foreign Service Journal:

“More often than not, the two agencies do not work so well together. USAID frequently ends up working by itself on democracy aid programs with State officials paying little attention to activities they regard as marginal. Or the two organizations work at cross-purposes, sending conflicting signals in the host country.”

Do you agree with this statement? What steps are the State Department and USAID taking to improve coordination on democracy programs?

Answer. Senator Leahy, as you noted in your opening statement, in some circumstances USAID and the State Department have differing approaches to democracy assistance. However, I don't believe that this problem is widespread. When it exists, we are addressing it. We work very closely with our colleagues at the State Department to coordinate democracy programs. We do this to make sure that U.S. democracy assistance goes to countries that are of high foreign policy importance, where assistance is needed, and where it can make a real difference. We also work closely with our State Department colleagues in Washington and in U.S. embassies overseas to ensure that democracy programs are focused on overcoming the biggest constraints to democratic reform or consolidation.

This cooperation takes many forms. First, we work in partnership with the State Department's Bureau for Democracy, Human Rights, and Labor (DRL) and the regional bureaus at the State Department regarding the allocation and implementation of democracy programs funded by Economic Support Funds (ESF). There are two ways that ESF is allocated for democracy assistance programs. USAID and State closely coordinate in both instances.

First, some ESF is directly allocated to USAID missions as part of the normal congressional budget presentation. ESF, even when allocated directly to a mission, is provided to USAID for a specific purpose, so it is never simply added to other sources of mission funding. Upon approval from Congress, this money is programmed by the mission. However, the State Department is very closely involved with the decision-making process about which countries should receive this ESF, what amount they should receive, and for what purpose. This model—ESF allocated directly to missions—is most common in the Latin America and the Caribbean and Asia and Near East regions. For example, directly allocated ESF funds democracy programs in Mexico, Indonesia, West Bank and Gaza, and Egypt.

Second, there are also “pots” of democracy ESF that are allocated out of Washington and are either implemented by USAID missions, the Democracy and Governance Office when the money is used in a country without a USAID mission (non-presence countries), or directly by the State Department. Examples of these ESF pots include the Middle East Democracy Fund, the Africa Regional Democracy Fund and DRL’s Human Rights and Democracy Fund. The allocation process for these funds is slightly more complicated. The relevant State Department bureau drafts an allocation memo to the Deputy Secretary requesting his approval for specific democracy projects to be funded out of these pots. These allocation memos are cleared by the USAID Democracy and Governance (DG) Office and the relevant USAID regional bureau (as well as many offices within State). When USAID will implement the program to be funded by ESF, USAID and State coordinate prior to the drafting of each allocation memo to ensure that there is consensus about which countries will be awarded ESF and for what purpose.

Additional facts about USAID’s role in implementing ESF-funded democracy programs:

- USAID implements about 90 percent of these programs. If the program is in a non-presence country, the DG office in the Bureau for Democracy, Conflict, and Humanitarian Assistance (DCHA) will often manage it. However, most ESF-funded democracy programs are managed by USAID missions. Programs not implemented by USAID are managed directly by the relevant State Department bureau, sent to Public Diplomacy, or transferred to other organizations such as the National Endowment for Democracy.
- For fiscal year 2003, the request for the ESF democracy pots is as follows:

[In millions of dollars]

DRL	12
Africa	32
East Asia	5
Near East	5
South Asia	2

State and USAID also coordinate in formal and informal interagency bodies. Coordination takes place at two levels: (1) at the field level, and (2) in Washington, as part of an inter-agency process.

- At the field level, there is generally good coordination between embassies and USAID missions on democracy programs and objectives.
 - The embassy comments on and ultimately clears the USAID strategy.
 - Ambassadors often pay close personal attention to the portions related to democracy programs.
 - USAID provides input to the Mission Performance Plans (MPPs) submitted by embassies to the State Department.
 - The USAID strategies and the MPPs will reflect the common democracy-related objectives.
 - Many embassies also have interagency committees that meet on democracy sector programs and issues, or specific subsectors, such as security and rule of law. USAID sits on these committees, often times as the chair.
 - Additionally, there is usually frequent coordination on specific items, such as the drafting of the country human rights report or elections monitoring.
 - USAID democracy officers generally have on-going close informal relationships with the political office and often with the ambassador.
- In Washington, USAID and State participate in Policy Coordination Committees (PCC) that are established under the direction of the National Security Council staff. These PCCs cover key regions and high-profile countries, as well as topics of concern that cut across several agencies.
 - The Policy Coordination Committee on Democracy is chaired by the NSC and includes representatives from various federal agencies, including several offices from State and USAID. Their work thus far has focused on the future direction of the Community of Democracies initiative, an international body made up of governmental officials that is aimed at providing mutual support and policy coordination among the world’s democratic nations.
 - Also of interest to the committee is the work of the Policy Coordination Committee on Anti-Corruption, Transparency and Accountability that coordinates our diplomatic, assistance, and law enforcement agencies working on these topics.
 - For particular regions or countries, the State Department’s DRL Bureau and DCHA work with our respective USAID and State Department regional bu-

reaus to make sure that key democracy concerns are raised in the PCCs and other inter-agency venues.

—USAID and State’s Bureau for International Narcotics and Legal Affairs (INL) coordinate very closely on programs and policies related to police and the rule of law.

DEFINITION OF DEMOCRACY PROGRAMS

Question. Mr. Winter, I am concerned that some in the Administration take an overly broad view of what is considered a “democracy and governance” or “human rights” activity. I am aware of instances where funds intended for democracy and governance programs have ended up supporting activities that most of us would consider development assistance or other types of programs. One example of this is the Great Lakes Justice Initiative where funds intended to for activities such as support of court systems, training of judicial personnel, and promoting public awareness of laws, were put towards building schools and wells.

While there may be a good reason to build schools and wells in this part of the world, do you regard these types of activities as democracy and governance programs? What measures are in place to ensure that these funds are used for their intended purpose and are not redirected into other types of programs under a broad definition of democracy and governance program?

Answer. Senator Leahy, I would certainly agree that programs dealing with schools and wells should not be categorized as democracy programs. Democracy and governance programs should support the Agency goal of “strengthened democracy and good governance.” Within that goal, there are four separate objectives.

These objectives are:

1. Strengthened Rule of Law and Respect for Human Rights. Programs under this objective include activities that support legal and judicial institutions, administration of justice, and judicial independence. In addition, programs that strengthen the awareness of, and adherence to, internationally recognized human rights fall under this objective.

2. More Genuine and Competitive Political Processes. Programs under this objective include political party support such as activities that strengthen the organizational capacity and professionalism of political parties so they can better represent their constituencies. In addition, support to electoral administration bodies, voter education, and election monitoring fall under this objective.

3. Increased Development of Politically Active Civil Society. Activities under this objective aim to build the capacity of civic groups, professional associations and other non-governmental advocacy groups that build public demand for democracy and good governance. Assistance to independent media and trade unions also falls under this objective.

4. More Transparent and Accountable Government Institutions. Programs under this objective include USAID’s anti-corruption efforts, assistance to local government and decentralization, legislative strengthening, civil-military relations, and assisting governments implement policy reforms.

Finally, USAID recognizes that the unique context of each country means that an indirect approach is sometimes needed to promote democracy. So, support of service delivery non-governmental organizations (NGOs), for example, may in fact be an optimal way to support democracies in some societies. For example, while Nigeria was still governed by a military dictatorship, our small democracy program focused on supporting women’s health organizations. These groups, among other activities, were trying to hold the government accountable for actually delivering services (in this case healthcare) rather than diverting public resources to corruption or waste.

In Rwanda, as part of the Great Lakes Justice Initiative, democracy and governance funds were used to build schools and wells, as you pointed out. Through local community development committees, citizens were allowed to determine their own priority needs for the use of government resources, a first step in institutionalizing democracy in Rwanda. This type of community development activity is generally limited to post-conflict or failed state environments.

Question. Mr. Winter, in your prepared statement, you mention the Leahy War Victims Fund, and funding for Victims of Torture, as examples of USAID’s human rights programs. These strike me as humanitarian programs, not programs that promote respect for human rights, which is what we are talking about here. Do you disagree?

Answer. As part of USAID’s fiscal year 2002 budget, it was determined that we should combine the Leahy War Victims Fund and the Victims of Torture program under a single budgetary category, “Human Rights.” Certainly there is an important humanitarian objective to these programs. It seems to me that they also highlight

why respect for human rights is so important. The nature of these two programs has not changed, nor has our commitment to them. Likewise, we remain committed to human rights in the stricter sense of the term. Therefore, in addition to these two projects, USAID also implements programs in all parts of the world that promote and enforce respect for human rights. These programs fall under our democracy and governance portfolio, and we will consider your concern about the future categorization of these funds.

USAID MANAGEMENT OF DEMOCRACY PROGRAMS

Question. Mr. Winter, the nature of democracy programs is unlike many other USAID activities—such as health care, agriculture, and education—as they often need increased flexibility to be effective and do not fit standard USAID evaluation mechanisms. For years, democracy programs were forced into the same bureaucratic management structures as traditional forms of U.S. assistance. While the creation of the Office of Transition Initiatives was a step in the right direction, I am told that USAID's bureaucratic structure still presents obstacles for effectively running these programs.

Am I wrong? Has this Administration taken any steps to reform procedures that would allow for more rapid, flexible management of democracy programs?

Answer. Administrator Andrew Natsios recognized the importance of radically reforming USAID's management and operating procedures. He has given these reforms top priority, assigning some of USAID's most senior managers to the effort. In fact, we are all committed to addressing these shortcomings. We are working on seven key management reforms, three of which will allow for more rapid and flexible management of our democracy programs. These three reforms are:

—*Human Resources.*—USAID is expanding the number of direct-hire democracy officers at an accelerated rate. This will mean that career foreign service officers will directly manage a higher proportion of our mission-based democracy objectives. This will allow USAID to better maintain our institutional capacity to design and implement successful democracy programs.

—*Procurement.*—The backlog in our procurement system is the single largest obstacle to more rapid and flexible democracy programs. Too often we miss windows of opportunity while we are waiting for grants or contracts to be processed. USAID is taking steps to automate parts of our procurement system as well as to outsource selected functions currently carried out by USAID staff. In addition, our Democracy and Governance Office has innovative cooperative agreements for rule of law, elections and political processes, and civil society that allow USAID missions to get programs on the ground much more rapidly than had previously been the case.

—*Strategic Budgeting.*—USAID also needs to ensure that we are able to more flexibly allocate money to address targets of opportunity. It does no good to have highly trained staff or an efficient procurement system if there is no money to implement badly needed democracy programs. By merging the strategy and budget functions, USAID will now be better able to shift resources to high priority countries that are in need of additional democracy funds.

USAID FUNDING BREAKDOWN

Question. Mr. Winter, USAID has requested \$991 million for democracy, governance, and human rights programs, which is a substantial amount of money. How much of this funding falls into the very narrow category of strengthening and reforming judicial and legislative branches of government? How much funding does USAID provide to groups that are dedicated to promoting respect for human rights or prosecuting those responsible for human rights violations?

Answer. Senator Leahy, unfortunately USAID does not track its budget requests in this manner. However, it is possible to answer this question by looking at budgets from prior years. For example, in fiscal year 2000 USAID obligated approximately \$17 million for human rights programs, \$75.5 million for strengthening and reforming judicial systems and \$15 million for legislative strengthening. These figures do not include programs funded out of the ESF regional democracy pots, so the total of each of these categories is actually somewhat higher. To give you a broader sense of the breakdown of democracy spending, in fiscal year 2001 22 percent of democracy assistance went toward rule of law programs, 7 percent for elections and political parties, 47 percent for civil society, and 24 percent for good governance. Support for human rights organizations is captured in both our rule of law and civil society programs. Likewise, legislative programs fall under both elections and political processes and good governance.

ZIMBABWE

Question. Mr. Winter, in Zimbabwe, President Mugabe has done virtually everything in his power to prevent the opposition party—the Movement for Democratic Change—from participating in free and fair elections. I want to commend our USAID mission in Zimbabwe, whose efforts have been smart, aggressive, and well targeted. However, this is an instance where democracy-building activities require more than well-run USAID programs on the ground.

While the Administration has taken strong action, it is clear that the United States and the EU need to press President Mbeki of South Africa and the 14-country Southern African Development Community to take strong action concerning Zimbabwe.

Has USAID urged the State Department or others in the Administration to put pressure on the South African community to act on the crisis in Zimbabwe? Does USAID consider it part of its responsibilities to ask the Administration to press for high-level diplomacy, when it furthers important program goals in the field of democracy and human rights?

Answer. Senator Leahy, let me start by providing some details of how USAID and the State Department have played a very constructive role in supporting the Southern Africa community's ability to act on the crisis in Zimbabwe. State Department and USAID collaborated to provide funding to a South Africa Development Community Parliamentary Forum (SADC-PF) election observation delegation to Zimbabwe's presidential election. The delegation consisted of some 70 members drawn from 12 of the 14 parliaments of SADC. The report issued by SADC-PF was critical of the elections, concluding that "the climate of insecurity obtaining in Zimbabwe since the 2000 parliamentary elections was such that the electoral process could not be said to adequately comply with the Norms and Standards for Elections in the SADC region."

SADC-PF recently developed these norms and standards for observing elections in Southern Africa, standards that adhere to international norms for election observation and are an important step in developing the institutional capacity of SADC to effectively monitor elections in the region. USAID, through the National Democratic Institute (NDI), provided the support to develop the standards, and also has supported the SADC-PF in observing elections in Mozambique, Mauritius, Tanzania, Zambia and Zimbabwe. With their statement on the Zimbabwe election, SADC-PF has demonstrated that it has evolved, with USAID support, into an important regional institution that can promote and protect fundamental democratic standards and processes. That is not to say that the United States shouldn't continue to work with the international community to ensure that all important actors are speaking with one voice in strong condemnation of the elections in Zimbabwe.

Addressing your broader question about USAID's role within the Administration for pressing for high-level diplomatic engagement on democracy and governance-related issues. I want to assure you that we do this constantly. This is done both in Washington, where there are frequent interagency dialogues regarding democracy promotion in specific countries or regions, as well as in the field where embassies often convene formal democracy working groups to address this very subject. Administrator Natsios, as well as Assistant Administrators like me, are active advocates at all levels of the State Department, and with the NSC, for supporting democracy and human rights, including in Zimbabwe. In all cases like this, while USAID may advocate a specific position, the State Department ultimately sets United States foreign policy.

 QUESTIONS SUBMITTED BY SENATOR MITCH MCCONNELL

BUDGET BREAKDOWN

Question. Mr. Winter, what is the breakdown of USAID's democracy and governance budget (i.e., what are the funding levels for activities that promote civil society, rule of law, political processes, and political party development)?

Answer. Senator McConnell, in fiscal year 2001 the breakdown of USAID's democracy and governance budget was as follows:

- Rule of Law: \$139 million (22 percent of the total democracy budget);
- Elections and Political Parties: \$46 million (7 percent);
- Civil Society: \$293 million (47 percent); and
- Governance: \$149 Million (24 percent); for a
- Total fiscal year 2001 Democracy Budget: \$627 million.

Please note that these totals do not include some elements of the democracy budget, such as regional ESF pots, where this breakdown is not yet available. So the

overall total, as well as funding in each area, is likely to be higher. However, the relative breakdown of the democracy budget is unlikely to change significantly.

DEFINITION OF A DEMOCRACY PROGRAM

Question. Mr. Winter, what is USAID's definition of a "democracy program?"

Answer. Democracy and governance programs support the Agency goal of "Strengthen Democracy and Good Governance." Within that goal, there are four separate Agency objectives. These objectives are:

1. Strengthened Rule of Law and Respect for Human Rights. Programs under this objective include activities that support legal and judicial institutions, administration of justice, and judicial independence. In addition, programs that strengthen the awareness of, and adherence to, internationally recognized human rights fall under this objective.

2. More Genuine and Competitive Political Processes. Programs under this objective include political party support such as activities that strengthen the organizational capacity and professionalism of political parties so they can better represent their constituencies. In addition, support to electoral administration bodies, voter education, and election monitoring fall under this objective.

3. Increased Development of Politically Active Civil Society. Activities under this objective aim to build the capacity of civic groups, professional associations and other non-governmental advocacy groups that build public demand for democracy and good governance. Assistance to independent media and trade unions also falls under this objective.

4. More Transparent and Accountable Government Institutions. Programs under this objective include USAID's anti-corruption efforts, assistance to local government and decentralization, legislative strengthening, civil-military relations, and assisting governments implement policy reforms.

ROLE OF POLITICAL PARTY DEVELOPMENT

Question. Mr. Winter, how important are political party development programs to achieving meaningful political reform?

Answer. Senator McConnell, one of the obstacles to political reform plaguing the countries in which USAID works is the growing problem of bad governance. USAID believes that parties can play a significant role in facilitating political consensus for reform among the electorate and key decision-makers. To improve the quality of democratic governance, it is important that parties offer citizens a range of choices, offer accountability to voters, and translate the popular will into policies and programs. Political party assistance should not be focused solely on building a stronger party or parties for electoral gain. It also needs to tackle the much harder task of creating a competitive and representative political system, internal party democracy, and the articulation and aggregation of competing positions that give voters a choice.

In addition, USAID implements legislative party programs in countries such as Russia, Nigeria and Mongolia which aim to foster the effective participation of democratic political parties in government, inter-party relations in legislatures, and to advance specific legislative reforms (e.g., electoral law reform and constitutional frameworks). How we state the goal of party assistance is key to developing the right kinds of programs and to ensuring adequate emphasis on the "supply side" of democratic governance. The goal of political party development programs is to create a representative, competitive multi-party system capable of fostering meaningful political reform and democratic governance.

POLITICAL PARTY DEVELOPMENT VIEWED AS "TOO RISKY"

Question. Mr. Winter, in the past, USAID has avoided political party development programs, deeming them "too risky." In the post-September 11th environment, has USAID reconsidered its democracy strategy to include greater emphasis on political party programs?

Answer. Senator McConnell, it is fair to say that assistance to political parties raises some sensitive issues. For example, in some cases political party development programs involve a sensitive decision on whether to take sides (i.e., support one or some parties and not others). Often times, beyond the election cycle, some parties lack the will to reform. Finally, limited resources and management capacity available to many USAID missions demand strategic choices, which may mean concentrating on other institutions or organizations performing governance functions. However, USAID has not avoided political party development. Our primary partners in this area, the National Democratic Institute (NDI) and International Republican Institute (IRI), have supported political party development in over 50 countries over

the past ten years. This assistance has been most prevalent in the Europe and Eurasia and the Africa regions. USAID has focused attention on helping parties address growing public disaffection, corruption, and overall declining effectiveness of parties throughout the developing world. Most recently, USAID has been working to refocus its party assistance on more long-term, strategic interventions that do not solely focus on elections. Over the past year, party and campaign finance disclosure has also been a new priority. Party assistance will be an expanding and integral element of USAID's democracy strategies. Effective democratic parties are essential to progress in supporting good governance in targeted countries.

FUNDING FOR LOCAL DEMOCRACY AND HUMAN RIGHTS ORGANIZATIONS

Question. Mr. Winter, what percentage of democracy funds administered by State and USAID are provided directly to indigenous democracy and human rights organizations?

Answer. Senator McConnell, unfortunately, this is not something that we systematically track, nor is it the type of information that is captured by our accounting system. Direct USAID support, as well as indirect support via our grantees or contractors, to indigenous democracy and human rights organizations is common. When done appropriately (the receiving organization needs to be soundly managed), this is a very effective strategy for promoting democracy. Some examples of the types of organizations that receive democracy funds may help illustrate how this works.

—In Russia, USAID has signed a cooperative agreement with IREX to help support Russian civil society organizations. Part of this grant is provided directly to several Russian intermediary service organizations (ISO) located in regions far from the USAID mission or IREX's project office in Moscow. These ISOs provide training and small grants to help strengthen grass roots NGOs throughout Russia. Therefore, via the IREX cooperative agreement, these ISOs receive democracy funds, as do many additional Russian NGOs that get small subgrants to help fund specific community-level democracy projects.

—Through a cooperative agreement with the International Foundation for Electoral Systems (IFES), USAID provides democracy funds to several regional organizations of elections officials. These organizations meet to share best practices on administering free, fair, and efficient elections.

—USAID provides democracy funds directly to the Inter-American Institute for Human Rights (IAIHR), the premier human rights NGO in this hemisphere. Human rights activists and government officials from all over Latin America are sent to IAIHR for training and technical assistance.

DEMOCRACY ASSISTANCE TO TOPPLE REGIMES

Question. Mr. Winter, should U.S. democracy assistance be targeted to influence specific political outcomes—such as toppling oppressive rulers like Slobodan Milosevic?

Answer. Senator McConnell, I think that there are examples where all United States foreign policy efforts should be focused on the democratic overthrow of oppressive rulers like Slobodan Milosevic. Legally, there are prohibitions that prevent USAID from directly impacting the results of an election. However, democracy assistance is often used as a tool to directly challenge the legitimacy of authoritarian regimes. In every country where we are promoting democracy, USAID's primary aim is to assist democratic reform. When a government, institution, or even an individual is opposed to democratic reform, USAID typically reduces or ends assistance to that entity. In authoritarian or semi-authoritarian countries, we work with democratic political parties, the media, and civil society organizations, not the government. We will also support the legislature and judiciary if they appear committed to democratic reform. Our strategy is to support organizations that broaden the space for competing ideas and views, and to create an environment where political transformation is more likely. In extreme cases, we support the democratic overthrow of an oppressive dictator by supporting peaceful political opposition groups. When this approach is matched with a high profile diplomatic offensive, it can be very effective—witness the toppling of the Milosovic regime in Serbia. A decision to overtly favor one political party or coalition is always made in consultation with the U.S. Embassy and the Department of State, and is always done in the context of the relevant legal prohibitions.

Our preferred approach outside of extreme cases (Zimbabwe, Serbia) is to work with reformers in as many parties as possible to help broaden support for democracy among the political elite. However, when events warrant it, and with clear State Department leadership, USAID is an effective partner in overt U.S. Government efforts aimed at defeating despots and dictators.

LEVEL OF USAID STAFF EXPERTISE

Question. Mr. Winter, what level of expertise does USAID possess in the field of democracy and rule of law reform? Does USAID program staff have relevant experience in American political or legal processes?

Answer. Our democracy and governance officers, both in our missions and here in Washington, have significant technical and field experience. Democracy jobs at USAID are extremely hard to get. When we hire from outside the Agency, we often get scores of applicants for each opening. This gives us the luxury of hiring highly qualified individuals, who often agree to take significant pay cuts to join USAID. It has been approximately a decade since USAID began to focus considerable amounts of resources on democracy. In that time, our institutional capacity and expertise has grown considerably. In addition, USAID is able to attract extremely qualified Foreign Service Nationals (FSN). We have former judges, leading university figures, and skilled democracy activists that assist our U.S. Foreign Service Officers in the management of our programs. Once they leave, they often go on to serve in high-level government positions or win elected office.

LACK OF AGGRESSIVENESS AND CREATIVITY

Question. Mr. Winter, USAID programs have been criticized in the past for lacking aggressiveness and creativity. How has USAID addressed these shortfalls?

Answer. Senator McConnell, we are certainly familiar with these criticisms. I think we need to look seriously at the issues raised and see whether they make sense and whether we need to do better. Frankly, we have been quite aggressive in places like Serbia, and we are very creative in many places as well. USAID has contributed to irreversible change in places like Bolivia, Bulgaria, and South Africa. Nevertheless, we need to be open to criticism. For example, Tom Carothers in the Journal of Democracy has alleged that USAID is constrained by our conformity to a "transition paradigm" that guides our strategy decisions regarding the promotion of democracy. We pay attention to these concerns, especially when they are raised by those who share our strong desire to improve the quality of our democracy programs. We try to learn from our mistakes, so these external critiques are often helpful. However, we don't agree with all (or even most) of them.

For example, we now do a much better job of assessing the true political dynamics that influence a country's commitment to democratic reform, or the lack thereof. The DCHA Bureau has developed a comprehensive framework to both assess the true state of reform in a country and to design a democracy strategy that will most effectively overcome barriers to reform. When this process works, it is the antithesis of a cookie-cutter approach. Over the last five years, USAID has applied this framework in 26 countries, over a third of all countries where USAID has democracy programs. The next hurdle we are trying to overcome is to make a more direct link between the findings of these democracy assessments and actual programs. Too often our democracy programs do not link as directly with our analysis as they should. However, by centralizing democracy staff within the DCHA Bureau and placing final responsibility for strategies with the Bureau for Program and Policy Coordination (PPC), it will now be easier to ensure that our programs are both more flexible and more aggressive. Administrator Natsios has given the PPC Bureau this authority for all USAID programs, not just for democracy programs.

COMPARISON OF GRANTS AND CONTRACTS

Question. Mr. Winter, what percentage of USAID democracy and governance contracts are awarded to for-profit organizations, and what is the average dollar amount of these contracts? Please provide a list of democracy and governance contracts and grants USAID has awarded over the past two years, indicating the recipient of the contract or grant, the dollar amount of the contract or grant, the overhead rate of these organizations, and a brief program description. What does USAID deem an acceptable overhead rate for democracy and governance program contracts awarded to for-profit organizations?

Answer. Senator McConnell, this is not the type of information that our procurement or accounting system tracks regularly. However, we do have much of the information you have requested, and will get the rest as soon as possible.

We do have relevant information regarding the breakdown of funding that goes into grants and contracts, as well as a comparison of the average markup or overhead rate of our grantees and contractors. In addition, we have a complete list of grants and contracts awarded in the last two years by the Office of Democracy and Governance. We are working with our procurement office to provide you similar information from all of our mission-based democracy programs.

In fiscal year 1999, 65 percent of our assistance went to grants and cooperative agreements, while only 28 percent went through contracts. In fiscal year 2000, 61 percent of our assistance went to grants and cooperative agreements, while 31 percent went through contracts. In both cases, the remaining funds were channeled through other procurement mechanisms and were not used to fund large projects.

Based on a survey of current grants and contracts under way in the Europe and Eurasia region, USAID has determined that the average markup for grants and cooperative agreements was 81 percent. The term "markup" takes into account all the indirect costs (including overhead) that an organization applies against its direct labor costs. For contracts, the average markup was 83 percent. Clearly, the difference, at least in the Europe and Eurasia region, is insignificant.

However, cost is not the only consideration when deciding whether to employ a cooperative agreement/grant or contract. Other key factors include:

- Ability of the prospective implementor to undertake a successful program;
- Speed of procurement;
- USAID's degree of need to direct activities; and
- Competition requirements.

All of these factors influence the ultimate decision about what type of instrument to use. In the democracy and governance sector, this calculus most often leads to the decision to undertake assistance via a grant or cooperative agreement. Looking at fiscal year 1999 and fiscal year 2000, about twice as much money was put into grants and cooperative agreements as was put into contracts. While work in other sectors may have a different breakdown, the majority of democracy assistance continues to go to grants and cooperative agreements.

The following is the information you requested on individual awards. As mentioned above, this information only covers our democracy office, but we will do our best to provide this information about all of our democracy awards.

Of 36 active contract and grant mechanisms managed by the Office of Democracy and Governance, just over one third have been awarded to for-profit organizations. The average ceiling amount of these mechanisms is \$20,121,539, of which an average of \$586,022 has been obligated so far. In terms of ceiling, for-profit organizations represent 38.79 percent of the sum of all active mechanisms managed by the Democracy and Governance office. However, of a total of \$184,814,079 actually obligated through the Office's mechanisms, for-profit organizations account for only 4.12 percent. As you can see, the balance between the amount of money awarded to for-profit versus non-profit firms is quite striking. However, this does not track all contracts to for-profits awarded by missions under a global DG office contract. If these contracts were factored in, the result would more closely resemble the two-to-one ratio of grants versus contracts.

DCHA/OFFICE OF DEMOCRACY AND GOVERNANCE CONTRACTS AND GRANTS

[All active contracts and grants awarded by DCHA/Office of Democracy and Governance]

Implementing partner	Award type	Obligated to date	Agreement number
For profit—fiscal years 2000–2002:			
Management Sciences for Development	IQC	\$25,000	AEP-I-00-00-0013-00
Development Associates	IQC	25,000	AEP-I-00-00-00008-00
Management Systems International	IQC	325,000	AEP-I-00-00-00018-00
Creative Associates	IQC	133,900	AEP-I-00-00-00019-00
Casals & Associates	IQC	1,860,701	AEP-I-00-00-00010-00
Management Systems International	IQC	250,000	AEP-I-00-00-00009-00
Associates in Rural Development	IQC	240,000	AEP-I-00-00-00016-00
Development Associates	IQC	25,000	AEP-I-00-00-00004-00
Development Alternatives	IQC	25,000	AEP-I-00-00-00006-00
Management Systems International	IQC	1,323,439	AEP-I-00-00-00005-00
Subtotal		4,233,040	
Previous:			
Management Systems International	IQC	2,483,824	AEP-I-00-99-00040-00
Associates in Rural Development	IQC	297,116	AEP-I-00-99-00041-00
PaL-Tech, Inc.	Contract	604,306	AEP-C-00-99-00032-00
Total For-Profit		7,618,286	

DCHA/OFFICE OF DEMOCRACY AND GOVERNANCE CONTRACTS AND GRANTS—Continued

(All active contracts and grants awarded by DCHA/Office of Democracy and Governance)

Implementing partner	Award type	Obligated to date	Agreement number
Non-profit—fiscal years 2000–2002:			
Iris Center	IQC	25,000	AEP-I-00-00-00012-00
National Center for State Courts	IQC	275,000	AEP-I-00-00-00011-00
Temple University	Grant	1,750,000	GDG-A-00-01-00020-00
IFES	IQC	734,500	AEP-I-00-00-00007-00
CEPPS	Co-Ag	11,230,184	DGC-A-00-01-00004-00
ACILS	Co-Ag	2,000,000	DGC-A-00-02-00002-00
AED	Co-Ag	1,300,000	AEP-A-00-01-00004-00
Pact, Inc.	Co-Ag	1,300,000	GEG-A-00-01-00005-00
Internews	Co-Ag	1,000,000	DGC-A-00-01-00007-00
Research Triangle Institute	IQC	25,000	AEP-I-00-00-00017-00
SUNY-Research Foundation	IQC	125,000	AEP-I-00-00-00003-00
IOM	Grant	159,910	DCH-G-00-02-00002-00
Subtotal		19,924,594	
Previous:			
Freedom House	Co-Ag	4,650,175	AEP-A-00-99-00016-00
IFES	Co-Ag	3,620,000	AEP-A-00-99-00017-00
IDLI	Grant	5,179,988	AEP-G-00-97-00031-00
CEPPS	Co-Ag	69,827,023	AEP-A-00-95-00038-00
Fair Labor Association	Co-Ag	1,339,000	AEP-A-00-99-00047-00
ACILS	Grant	56,434,802	AEP-G-00-97-00035-00
International Labor Rights Fund	Grant	552,880	AEP-G-00-99-00062-00
Transparency International	Grant	3,282,716	AEP-G-00-95-00028-00
National Democratic Institute	Co-Ag	3,173,951	AEP-A-00-98-00014-00
World Learning	Co-Ag	8,810,664	AEP-A-00-95-00024-00
UNHCS	Grant	400,000	AEP-G-00-99-00064-00
Total Non-Profit		177,195,795	
Total awards		184,814,079	

Additional Information on Contracts and Grants awarded in the past two years:

Recipient: Management Sciences for Development, AEP-I-00-00-00013-00

Type of Award: Indefinite Quantity Contract

Ceiling: ¹ \$9,230,141

Overhead rate: 5 percent

Description: Provides missions and regional bureaus with a contractual buy-in vehicle for rule of law (ROL) programming. Activities under this indefinite quantity contract (IQC) improve and enhance the Agency's performance in facilitating the growth and sustainability of legal and judicial systems that promote ROL consistent with respect for human rights and market-based economies, commitment to legal equity, and democratic principles.

Recipient: The IRIS Center, AEP-I-00-00-00012-00

Type of Award: Indefinite Quantity Contract

Ceiling: \$10,098,906

Overhead rate: 21 percent

Description: Provides missions and regional bureaus with a contractual buy-in vehicle for rule of law (ROL) programming. Activities under this IQC improve and enhance the Agency's performance in facilitating the growth and sustainability of legal and judicial systems that promote ROL consistent with respect for human rights and market-based economies, commitment to legal equity, and democratic principles.

Recipient: National Center for State Courts, AEP-I-00-00-00011-00

Type of Award: Indefinite Quantity Contract

Ceiling: \$9,963,916

Overhead rate: 4.6 percent

¹ This ceiling is the maximum amount of funds that may be obligated into this award.

Description: Provides missions and regional bureaus with a contractual buy-in vehicle for rule of law (ROL) programming. Activities under this IQC improve and enhance the Agency's performance in facilitating the growth and sustainability of legal and judicial systems that promote ROL consistent with respect for human rights and market-based economies, commitment to legal equity, and democratic principles.

Recipient: Temple University, GDG-A-00-01-00020-00

Type of Award: Grant

Ceiling: \$2,168,116

Overhead rate: 26 percent

Description: This grant fulfills a Congressional directive by providing funding for Temple University's law center in Beijing. The grant funds an expansion of the Center's program by supporting additional faculty from Temple and other U.S. law schools. The funding also provides tuition scholarships for judges and legal officials to attend graduate programs in the United States.

Recipient: Development Associates, AEP-I-00-00-00008-00

Type of Award: Indefinite Quantity Contract

Ceiling: \$22,670,918

Overhead rate: 2 percent

Description: This IQC provides missions and regional bureaus with the buy-in capacity to support elections assistance when a contractual mechanism is the preferred option. This mechanism may be used for logistical field support where control over inputs such as ballot production, ballot boxes and specific inputs are required as part of a multi-donor effort. While offering a wide range of other support possibilities, Development Associates may also carry out evaluations and assessments, or conduct technical research on cutting edge, elections-related subjects.

Recipient: IFES, AEP-I-00-00-00007-00

Type of Award: Indefinite Quantity Contract

Ceiling: \$24,102,048

Overhead rate: 27.5 percent

Description: This IQC provides missions and regional bureaus with the buy-in capacity to support elections assistance when a contractual mechanism is the preferred option. This mechanism may be used for logistical field support where control over inputs such as ballot production, ballot boxes and specific inputs are required as part of a multi-donor effort. While offering a wide range of other support possibilities, IFES may also carry out evaluations and assessments, or conduct technical research on cutting edge, elections-related subjects.

Recipient: Consortium for Elections and Political Process Strengthening, DGC-A-00-01-00004-00

Type of Award: Cooperative Agreement

Ceiling: \$70,000,000

Overhead rate: 24 percent

Description: The Consortium for Elections and Political Process Strengthening (CEPPS) brings together the International Foundation for Election Systems, the International Republican Institute, and the National Democratic Institute for International Affairs to implement election and political processes programming. It provides field support (over \$16 million in fiscal year 2001 buy-ins) and rapid response capacity for both presence and non-presence countries, as well as a limited amount of research and technical guidance, based on grantee experience and expertise.

Recipient: Academy for Educational Development, AEP-A-00-01-00004-00

Type of Award: Cooperative Agreement

Ceiling: \$5,999,687

Overhead rate: 36 percent

Description: This mechanism is available to missions and regional bureaus for civil society strengthening and also for rapid response programming of ESF to address foreign policy priorities for State, particularly in important non-presence countries. This grant supports innovative approaches likely to facilitate the transition to, or consolidation of, participatory democratic processes and economic development, and helps to assure that lessons learned in civil society programming are implemented in USAID mission programs.

Recipient: Pact, Inc., GEG-A-00-01-00005-00

Type of Award: Cooperative Agreement

Ceiling: \$6,000,000

Overhead rate: 33.88 percent

Description: This mechanism is available to missions and regional bureaus for civil society strengthening and also for rapid response programming of ESF to address foreign policy priorities for State, particularly in important non-presence countries. This grant supports innovative approaches likely to facilitate the transition to, or consolidation of, participatory democratic processes and economic development, and helps to assure that lessons learned in civil society programming are implemented in USAID mission programs.

Recipient: Associates in Rural Development, AEP-I-00-00-00016-00

Type of Award: Indefinite Quantity Contract

Ceiling: \$23,569,988

Overhead rate: 26 percent

Description: Decentralization changes the distribution of power within societies and can deepen democracy. Reversion to centralized authoritarianism is more difficult when power is diffused and multiple channels for citizen involvement have been developed. Also, moving the locus for decision-making closer to those it affects can improve government responsiveness. This IQC provides for services in the areas of decentralization and public administration. Two functional areas are included: (1) decentralization and participatory government, and (2) public management and administration.

Recipient: Casals & Associates, AEP-I-00-00-00010-00

Type of Award: Indefinite Quantity Contract

Ceiling: \$18,841,702

Overhead rate: 7.0 percent

Description: Provides field support and buy-in capacity for missions and regional bureaus in the program area of curbing corruption.

Recipient: Management Systems International, AEP-I-00-00-00009-00

Type of Award: Indefinite Quantity Contract

Ceiling: \$16,767,614

Overhead rate: 12.8 percent

Description: Provides field support and buy-in capacity for missions and regional bureaus in the program area of curbing corruption.

Recipient: SUNY-Research Foundation, AEP-I-00-00-00003-00

Type of Award: Indefinite Quantity Contract

Ceiling: \$12,039,393

Overhead rate: 29 percent

Description: Provides field support and buy-in capacity for missions and regional bureaus in the program area of legislative strengthening.

Recipient: Research Triangle Institute, AEP-I-00-00-00017-00

Type of Award: Indefinite Quantity Contract

Ceiling: \$23,941,827

Overhead rate: 14 percent

Description: Provides field support and buy-in capacity for missions and regional bureaus in the promotion of decentralization and democratic local governance.

Recipient: Development Associates, AEP-I-00-00-00004-00

Type of Award: Indefinite Quantity Contract

Ceiling: \$11,567,277

Overhead rate: 2.0 percent

Description: Provides field support and buy-in capacity for missions and regional bureaus in the program area of legislative strengthening.

Recipient: Management Systems International, AEP-I-00-00-00005-00

Type of Award: Indefinite Quantity Contract

Ceiling: \$27,936,736

Overhead rate: 9.2 percent

Description: Provides field support and buy-in capacity for missions and regional bureaus in the program area improving the management of policy reform.

Recipient: Development Alternatives, AEP-I-00-00-00006-00

Type of Award: Indefinite Quantity Contract

Ceiling: \$30,964,736

Overhead rate: 9.2 percent

Description: Provides field support and buy-in capacity for missions and regional bureaus in the program area improving the management of policy reform.

Recipient: Creative Associates International, AEP-I-00-00-00019-00

Type of Award: Indefinite Quantity Contract

Ceiling: \$28,084,136

Overhead rate: 15.0 percent

Description: Provides rapid response technical assistance to support mission and regional bureau civil society programs and assure consistent application of lessons learned. Services focus on building the capacity of local, country, and regional level civil society organizations. The range of technical assistance activities includes the design, implementation and evaluation of activities in the following areas: (1) institutional capacity building, (2) sectoral support, (3) conferencing and networking, and (4) independent media.

Recipient: Management Systems International, AEP-I-00-00-00018-00

Type of Award: Indefinite Quantity Contract

Ceiling: \$25,318,440

Overhead rate: 12.8 percent

Description: Provides rapid response technical assistance to support mission and regional bureau civil society programs and assure consistent application of lessons learned. Services focus on building the capacity of local, country, and regional level civil society organizations. The range of technical assistance activities includes the design, implementation and evaluation of activities in the following areas: (1) institutional capacity building, (2) sectoral support, (3) conferencing and networking, and (4) independent media.

Recipient: Internews, DGC-A-00-01-00007-00

Type of Award: Cooperative Agreement

Ceiling: \$2,000,000

Overhead rate: 35 percent

Description: This Congressionally earmarked program provides access for missions and regional bureaus to train journalists and other media professionals from developing countries to obtain a broad range of skills, practices, and equipment to assist them in developing independent media and promoting the free flow of information in their countries. The training takes place at Western Kentucky University with follow-up training in the participants' home countries. The training program components include, for example, journalism and production training, station management training, training in media law and advocacy, association building, internet and "new media" training, site visits, field recording equipment grants, follow-on training in participants' home countries, and "training of trainers." All obligations under the earmark to date have been for training of Indonesian and Cambodian journalists.

Recipient: International Organization for Migration

Type of Award: Grant

Ceiling: \$159,910

Overhead rate: 4.8 percent

Description: This grant funds the Participatory Elections Project which will research, develop and facilitate the recognition of international standards for the political rights of refugees and internally displaced persons.

Recipient: ACILS

Type of Award: Cooperative Agreement

Ceiling: \$49,500,175

Overhead rate: 22.8 percent

Description: This agreement supports labor-related programs with the following objectives: (1) Promote the adoption and effective enforcement of core labor standards; (2) Establishment of legal frameworks to protect and promote civil society; (3) Increased citizen participation in policy processes, implementation and oversight of public institutions; (4) Increased institutional and financial viability of labor unions and labor NGOs; (5) Enhanced free flow of information; (6) Strengthened democratic and political culture and gender equity; (7) Support anti-sweatshop initiatives; (8) Promote broad-based, equitable economic growth; (9) Human capacity built through education and training; and (10) Improve health through workplace and peer-to-peer health education and prevention.

SUBCOMMITTEE RECESS

Senator McCONNELL. Thank you very much, that concludes the hearing. The subcommittee will stand in recess until 2 p.m., Tuesday, March 19, when we will meet in room SD-192 to hear from Paul O'Neill, Secretary, Department of the Treasury.

[Whereupon, at 10:49 a.m., Wednesday, March 6, the subcommittee was recessed, to reconvene at 2 p.m., Tuesday, March 19.]

**FOREIGN OPERATIONS, EXPORT FINANCING,
AND RELATED PROGRAMS APPROPRIATIONS
FOR FISCAL YEAR 2003**

TUESDAY, MARCH 19, 2002

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

The subcommittee met at 2 p.m., in room SD-192, Dirksen Senate Office Building, Hon. Patrick J. Leahy (chairman) presiding.
Present: Senators Leahy, Bennett, and Reed.

DEPARTMENT OF THE TREASURY

OFFICE OF THE SECRETARY

STATEMENT OF PAUL H. O'NEILL, SECRETARY OF THE TREASURY

OPENING STATEMENT OF SENATOR PATRICK J. LEAHY

Senator LEAHY. Good afternoon, Mr. Secretary. And sorry for the strange day as we moved around. I know you are leaving for Mexico soon. I appreciate you being here.

Now, the Treasury Department's budget request for international programs totals \$1.45 billion. \$178 million is to pay one third the arrears we owe to the international financial institutions. That is overdue and I welcome you for doing that.

I also welcome your proposals to make changes in the way the World Bank does business, including moving towards grants and away from loans for the poorest countries. You and I have discussed this before and I heard you discuss it also at the World Economic Summit.

I know this is controversial among some donors but I do not believe, as some suggest, that it will result in less support from Congress for these programs.

However, I continue to have serious concerns about management at the World Bank. Mr. Wolfensohn is a good friend. I have great respect for him. I believe he has the right vision. But, there are some people down there who run the Bank's day-to-day operations who give the term "ingrained bureaucracy" a bad name.

I have real doubts about some of these managers and have expressed concerns for years about the Bank's treatment of its own staff, especially those who file complaints of harassment or other misconduct.

There is a fear of retaliation if anybody raises their head at the World Bank. And if somebody makes a complaint, they risk their career. That is wrong.

This is not to take away from the Treasury officials who deal with these institutions. They do a good job and I appreciate it.

I am glad that you and the President and others from the Cabinet are going to Monterrey and am pleased with the President's announcement last week to increase foreign assistance by \$5 billion beginning in fiscal year 2004. We do not know the details yet but I like the direction.

However, before we congratulate ourselves, we should recognize two things: We do know there are 2 billion people in the world living in misery who need help now, and many of these people cannot afford to wait until 2004. Fourteen thousand more people were infected by the AIDS virus today. Tomorrow will be another 14,000 and the next day another 14,000.

Second, even with the additional funds, spending on development assistance will be below what it was in the 1980s. It will only be six-tenths of 1 percent of the Federal budget, and one-tenth of 1 percent of our economy.

Our foreign aid can not solve all the world's problems. But our aid can help obtain measurable results from governments in ending corruption, reforming their economies, and strengthening democracy.

As much as I applaud what the President has announced, it is not enough. This is more about our own national security than anything else. Senator McConnell and I have said over and over that we should be doing much more.

The British Government made a proposal to double spending on foreign aid. Secretary Powell has said we should triple it. I agree, and hope that you will consider these proposals.

To the extent that we bring about democracy and reduce poverty in other parts of the world, we will improve our own security.

For example, every disease is only an airplane trip away from where we are right now. As we saw in the paper the other day, the number of tuberculosis cases has gone up in Northern Virginia. My wife is a nurse. She told me that in the last 5 years, she has seen firsthand a dramatic increase in the number of TB cases in Northern Virginia. And a very large percentage of these cases are from outside our borders.

Having said all of that, perhaps the most compelling reason to increase foreign aid is a moral reason. We are the wealthiest, most powerful nation on earth. Everybody in this room lives well. You do, I do. We all do. And we live at a level, no matter whether we are the lowest paid person in this room, that is unimaginable in vast parts of the world. And I think we have a moral responsibility to do more.

Lastly, in your prepared statement, you mention getting rid of legislative mandates. Last year your Department brought us a laundry list of requirements that you wanted changed during the final stages of the conference committee, and asked us to act in areas that are outside our jurisdiction and contrary to the Senate rules.

I realize it was a new administration, but that is not the way to do it. Let us talk earlier in the process, and working together, I am sure we can reach agreement on many of these issues.

When Congress finds that the administration is not acting, then we will act.

PREPARED STATEMENT

We have received Senator McConnell's prepared statement that will be made part of the hearing record.

[The statement follows:]

PREPARED STATEMENT OF SENATOR MITCH MCCONNELL

Mr. Secretary, thank you very much for appearing before our subcommittee this afternoon to examine the fiscal year 2003 foreign operations request for the Department of the Treasury and the international financial institutions (IFIs). In the interest of time, I will keep my opening remarks brief.

Let me begin by commending the administration for its initiative to increase foreign aid by \$5 billion over the next three fiscal years. There has been a growing chorus in Washington and elsewhere for increased foreign assistance in the wake of the September 11 attacks, and both this subcommittee and President Bush recognize the need to do more to undermine poverty and promote democracy in developing countries. It is in America's security interest that economic, social and political standards are improved on a global basis.

It is also in our interests to ensure that foreign aid dollars are used in the most efficient and effective manner. A critical element of the President's new initiative is the linkage between foreign aid and those countries that demonstrate a strong commitment to good governance, health and education programs, and economic policies. It is only fitting that we use our assistance to leverage reforms—and to reward those nations willing to make the difficult decisions necessary for long term economic growth and development.

I should point out that this linkage will come as old news to certain countries in Southeast Asia, the Balkans, and the Middle East. To the consternation of some foreign capitals, I have long operated under the premise that U.S. foreign assistance is not a hand out.

I hope that you will use today's hearing to expand on opportunities for reform at the World Bank, the International Monetary Fund (IMF), and other multilateral development banks. This Subcommittee has long been concerned about operations and management at the World Bank, and at our last Subcommittee hearing for Treasury, Senator Leahy and I focused on personnel, management, and corruption issues. Confidence in the World Bank is further eroded by articles that highlight management shortfalls at that institution, as appeared in last year's Foreign Policy journal. I take it as welcomed news that you have already made the issue of reform at the Bank and the IMF a central theme of your tenure as Secretary.

Let me close by commending you for your Department's leadership on the effort to combat the financing of terrorism. This is an important front in America's war against terrorism, and I understand that \$104 million in assets has already been blocked since the attacks on our soil. Keep up the good work.

Senator LEAHY. Go ahead, Mr. Secretary. You and I have had a lot of chats. Incidentally, I much appreciate your call yesterday on this matter.

SUMMARY STATEMENT OF HON. PAUL H. O'NEILL

Secretary O'NEILL. Well, thank you very much, Mr. Chairman. It is a real pleasure to be here. I have a long statement which with your permission I would like to—

Senator LEAHY. Would you put that in the record. Just pull that mike a little closer. As Senator Thurmond used to say, pull the—oh, do we have it on now? This is a new system I am told, just started in here. And for us old guys it is hard as heck to get used to anything new.

Secretary O'NEILL. Thank you, Mr. Chairman. It is a pleasure to be here. I have a long statement. With your permission, I'll just submit it for the record.

Senator LEAHY. Of course.

Secretary O'NEILL. I have a shorter statement that I think may be worth going through just to create a basis for our conversation, if you will. Thank you for the opportunity to testify today about the President's budget request for Treasury's international programs.

Let me begin by underscoring the emphasis that President Bush places on economic development as a central commitment of American foreign policy. The United States should and must be a champion of economic growth and development, particularly in those parts of the world where poverty is the most acute.

In today's world, in many nations and regions, extreme poverty is widespread and deep and exacts an enormous human toll. If we care about simple human dignity, we must act to help raise living standards for the poorest.

As President Bush stated last week in a speech at the Inter-American Development Bank, and I quote: "This growing divide between wealth and poverty, between opportunity and misery, is both a challenge to our compassion and a source of instability."

The President has called for a new compact for global development, defined by new accountability for both rich and poor nations alike with greater contributions from developed nations linked to greater responsibility from developing nations.

The President's proposal recognizes that sound policies have universal application and that development partnerships can only be effective if rooted in a good policy framework.

For this reason, the adoption by poor countries of the reforms and policies that make development effective and lasting is integral to the President's proposed new Millennium Challenge Account.

The concept underlying the Account is clear, that countries that rule justly, invest in their people, and encourage economic freedom will receive more assistance from the United States.

The administration looks forward to working closely with the Congress as we move to operationalize the Millennium Challenge Account.

The MDBs are also important instruments in helping us pursue growth and prosperity in a global economy. They serve vital interests of the United States, and are crucial and integral components of our overall foreign assistance effort. U.S. foreign assistance programs, including assistance through multilateral development banks, are important for advancing American foreign policy.

The more our assistance aids in economic development, the greater countries' ability to engage in mutually beneficial trade with Americans, the greater the chances for democratic values to take root, and the greater the chances for government and social institutions to develop stability.

The crucial importance of laying the foundation for hope and opportunity has only been underscored by recent events. As the President has said, When governments fail to meet the most basic needs of their people, these failed states can become havens for terror.

This year's request totals \$1.4 billion, including \$1.26 billion in funding for our annual commitments to MDBs, \$178 million to-

wards clearing our arrears to those institutions over a 3-year period, and \$10 million for international technical assistance programs.

I take very seriously my responsibility to ensure that U.S. taxpayer resources provided in the MDBs are effective in achieving significant and sustainable improvements in the daily lives of the people living in developing countries.

PREPARED STATEMENT

I am convinced that the MDBs can do a better job. And it has been a high priority from the beginning of the Bush administration to improve their performance. Our message is beginning to take hold, but there is much work to be done to accomplish our objective. And with that, Mr. Chairman, I'd be pleased to take questions.

[The statement follows:]

PREPARED STATEMENT OF HON. PAUL H. O'NEILL

Chairman Leahy, Ranking Member McConnell, Members of the Subcommittee, thank you for the opportunity to testify today about the President Bush's fiscal year 2003 budget request for Treasury's international programs.

Let me begin by underscoring the emphasis that President Bush places on economic development as a central commitment of American foreign policy. The United States should and must be a champion of economic growth and development, particularly in those parts of the world where poverty is most acute. In today's world, in many nations and regions, extreme poverty is widespread and deep and exacts an enormous human toll. If we care about simple human dignity, we must act to help raise living standards for the poorest. As President Bush stated last week in a speech at the Inter-American Development Bank:

"This growing divide between wealth and poverty, between opportunity and misery, is both a challenge to our compassion and a source of instability."

The President has called for a new compact for global development, defined by new accountability for both rich and poor nations alike with greater contributions from developed nations linked to greater responsibility from developing nations. The President's proposal recognizes that sound policies have universal application and that development partnerships can only be effective if rooted in a good policy framework. For this reason, the adoption by poor countries of the reforms and policies that make development effective and lasting is integral to the President's proposed new Millennium Challenge Account. The concept underlying the Account is clear, that countries that rule justly, invest in their people, and encourage economic freedom will receive more assistance from the United States.

The Administration looks forward to working closely with the Congress as we move to operationalize the Millennium Challenge Account.

The MDBs are also important instruments in helping us pursue growth and prosperity in the global economy. They serve vital interests of the United States, and are crucial and integral components of our overall foreign assistance effort. U.S. foreign assistance programs, including assistance through multilateral development banks, are important for advancing American foreign policy. The more our assistance aids in economic development, the greater countries' ability to engage in mutually beneficial trade with Americans, the greater the chances for democratic values to take root, and the greater the chances for government and social institutions to develop stability. The crucial importance of laying the foundation for hope and opportunity has only been underscored by recent events. As the President has said, when governments fail to meet the most basic needs of their people, these failed states can become havens for terror.

This year's request totals \$1.4 billion. It includes \$1.26 billion in funding for our annual commitments to the Multilateral Development Banks (MDBs), \$178 million towards clearing our arrears to these institutions over a three-year period, and \$10 million for international technical assistance programs.

I take very seriously my responsibility to ensure that U.S. taxpayer resources provided to the MDBs are effective in achieving significant and sustainable improvements in the daily lives of the people living in developing countries. I am convinced

that the MDBs can do a better job, and it has been a high priority from the beginning of the Bush Administration to improve their performance. Our message is beginning to take hold, but there is much work to be done to accomplish our objective.

THE MDB GROWTH AGENDA

There is an untapped reservoir of human potential in all countries, including the poorest. To fully realize this potential, countries need to create an environment with the institutional conditions and incentives required to encourage individual enterprise. These include the rule of law, enforceable contracts, stable and transparent government, and a serious commitment to eliminate corruption. Countries also need to provide individuals with health, knowledge, and the skills they need to participate in and contribute to economic activity. External assistance can only help if the right fundamentals are in place to harness this great human potential.

Job-creating productivity growth is the driving force behind rising per capita income and reduced poverty, and we have been pressing the MDBs to focus on projects and programs that raise productivity. This includes operations that would improve health and education; promote private enterprise; enhance the rule of law, effective public expenditure management, accountability and anti-corruption; and open economies by strengthening trade capacities and investment environments.

As a result of our efforts, productivity and private sector job creation are receiving greater emphasis in the debate on MDB policies within the institutions and among other shareholders. We will continue working actively to ensure they become a hallmark of actual operations.

We are also pressing all the MDBs to measure results. It is not enough to say that the MDBs are increasing funding for education, for example. We also need to know whether that increase is leading to measurable results, such as better reading and writing skills. For the first time, in the current IDA replenishment negotiations, the United States will provide supplementary funding conditioned on measurable results in areas crucial to economic growth and poverty reduction. My goal is to ensure that the successes and failures of the past 50 years guide and improve development efforts in the future.

President Bush has also proposed that a higher percentage of the World Bank and other MDB funds for the poorest countries be provided as grants rather than loans. This proposal is an important part of our MDB growth agenda because grants are the best way to help poor countries make productive investments without saddling them with ever-larger debt burdens. It thus also will help avoid the need for future HIPC debt relief. The fact is that investments in crucial social sectors, such as education and health, do not directly or sufficiently generate the revenue needed to service new debt.

I am happy to say that the new IDA-13 and African Development Fund negotiations are likely to have larger shares going to grants, but there is still disagreement on how much. It is important to reach an agreement on grants that will facilitate closure on these important replenishments.

Private sector development is essential for economic development and growth. Without a transparent economic environment based on the rule of law, private investment simply will not happen. Opaque regulatory and legal environments create insurmountable barriers to entry for new firms, which are the lifeblood of a thriving market economy.

We believe the MDBs can do more to promote and develop investment climates that will attract needed private capital. The MDBs could provide practical investment climate assessments, for example. On the basis of such assessments, technical assistance, project finance and small-business loans could be channeled more effectively to countries committed to policy and regulatory changes that will create conditions that sustain robust levels of private-sector investment, productivity growth, and income generation.

THE FISCAL YEAR 2003 REQUEST

The Administration's fiscal year 2003 budget request of \$1,447 million for Treasury's international programs reflects these development priorities, thus projecting U.S. leadership and complementing our efforts to strengthen the effectiveness of the MDBs. Funding of this request also will help enable the MDBs to address critical development issues in key regions of importance to the United States: supporting key countries in the war on terrorism; combating money-laundering and terrorist financing; providing assistance to countries emerging from conflict; and responding to natural disasters.

There are three basic components to this request: annual funding for the MDBs, arrears clearance, and Treasury's bilateral technical assistance program.

1. Annual Funding for the MDBs (\$1,259.4 million)

Our request for the MDBs includes \$1,259.4 million to fund fully our current annual U.S. commitments. This includes the first payments of our proposed contributions to new replenishments for the International Development Association (\$850 million), the African Development Fund (\$118 million) and the Global Environment Facility (\$107.5 million). Negotiations for all three replenishments are ongoing.

For the International Development Association (IDA), the United States is proposing for the first time a results-based financing framework. The United States would provide \$850 million in fiscal year 2003, \$950 million in fiscal year 2004 and \$1,050 million in fiscal year 2005, with amounts over \$850 million subject to the achievement of measurable results in areas such as health, education and private-sector development, for example. This amounts to a total of \$2,850 million, or 18 percent above the U.S. commitment to the last IDA replenishment.

We are also proposing an 18 percent increase in funding for the African Development Fund (AfDF), a total of \$354 million over three years. For the GEF, the United States is proposing to contribute a total of \$430 million over four years.

2. Arrears (\$178 million)

The \$177.7 million request for arrears would be applied to all MDB arrears on a pro rata basis, and is part of a three-year plan to fully pay U.S. arrears to the institutions, which now total \$533 million, including \$211 million in arrears to the GEF. Arrears have now risen for the third consecutive year, after declining substantially from 1996 to 1999. It is critical that the United States meet its international commitments, and I look forward to working with the Congress to pay down these arrears over the next three years, thus helping to ensure U.S. leadership and credibility on global issues of vital importance to the United States.

3. Technical Assistance (\$10 million)

Our request also includes \$10 million for Treasury technical assistance programs, which form an important part of our effort to support countries facing economic transition or security issues, and whose governments are committed to fundamental reforms. This compares to \$6.5 million in fiscal year 2002 appropriations and \$3 million in the budget supplemental for programs specifically designed to combat terrorism. Treasury's technical assistance programs were created in 1990 and 1991 to assist countries in the Former Soviet Union and Central and Eastern Europe. Beginning in fiscal year 1999, a direct Congressional appropriation allowed us to expand the program selectively and effectively. Our fiscal year 2003 request will allow us to continue current programs in countries in Africa, Asia, Central and South America and to expand into other countries committed to sound economic reform policies. We expect to spend a significant amount on anti-terrorist programs. Over half of the traditional programs will be in Sub-Saharan Africa, as has been the case for the past two years. The anti-terrorist programs will be global in scope, with an emphasis on a group of about 20 countries that the Administration has identified as having financial systems vulnerable to misuse by terrorist organizations.

LEGISLATIVE MANDATES

There is one final issue that I want to highlight. I am determined to enable the Treasury Department to fulfill its mission to develop and implement our international economic policy. Currently, the Administration is burdened by a large number of legislative mandates relating to U.S. participation in the international financial institutions, including requirements for directed voting, policy advocacy, certifications, notifications, and reports, that have built up over time.

The U.S. Government's policy development and implementation in these institutions would be improved by consolidation of these mandates. Some mandates go back 50 years. Some provisions overlap, or are inconsistent. There are 32 directed vote mandates and over 100 policy mandates, plus numerous reports, certifications, and modifications. I want the Congress to be fully informed, but numerous vestigial reporting requirements have increased the amount of time senior officials spend working on these reports to levels that warrant serious concern. I would like to work with you to rationalize and focus our mandated reports and requirements.

CONCLUSION

I will continue to work hard with MDB managements and with other shareholders to ensure vigorous and effective implementation of the U.S. reform agenda. I ask for your support as we work together to ensure that these institutions are more effective in achieving real results that promote economic growth and productivity, im-

prove the living standards of people in developing countries, and advance American interests.

Thank you very much, and I will be pleased to respond to your questions and suggestions.

Senator LEAHY. Thank you very much, Mr. Secretary. Incidentally, in reading through your budget justification materials, I want to say they are easy to read and informative.

If you are chatting with some of the other cabinet members, you might suggest that they take a look at your budget materials. As a member of the Appropriations Committee, I get to see everybody's and the Treasury Department's are very clear and coherent.

Secretary O'NEILL. Mr. Chairman, may I—excuse me for interrupting, but may I just give credit where it belongs, to Under Secretary John Taylor and the people that are seated here who are giving their—a good important part of their life to doing this work. They deserve the credit for making these materials more clear and more readable.

I think we've been fortunate in being able to assemble a fantastic group of people, to work with a career staff who have given their whole life to these subjects. And I am very pleased to represent them, but I shouldn't be given the credit for the great work that they do.

Senator LEAHY. I appreciate you doing that. It will be so noted.

Mr. Secretary, the press has talked a lot about you being a critic of foreign aid. I suppose it depends whose ox is being gored. I have heard a number of your statements you have made. In some places I found myself in agreement with you.

In other instances I did not. Just last week, the Washington Post said you believe that most poor countries reap paltry benefits from the billions of dollars they have received since the 1950s. And that was a response to a World Bank report that describes remarkable successes from the assistance.

It seems to me that the truth is somewhere in the middle. On the one hand, there are a lot of examples of World Bank and U.S. agencies throwing good money after bad. We certainly saw that during the cold war.

If you announced you were anti-communist it did not make a difference what kind of a dictator you were, how corrupt your regime was, or how much money you were sending to a Swiss bank. We were going to send the money to you.

On the other hand, we have seen improvements over the past decade or so. A lot of people worked very hard at this, a lot of very capable professionals, through both Republican and Democratic administrations.

You must also agree that a lot of this assistance can help or you would not be asking for \$1.4 billion for the World Bank, and the President would not be talking about requesting another \$5 billion next year.

The President says a world where some live in comfort and plenty, while half the human race lives on less than \$2 a day is neither just nor stable. I absolutely agree with what the President said. In fact, it is very similar to the things, Senator McConnell and I have been saying for years.

But why begin in 2004? You have seen the misery of people around the world. You have been a leader of a company that has operations all over the globe. Why cannot we start now?

Secretary O'NEILL. Mr. Chairman, I think it is in fact an excellent question. And I think one should not rule out the possibility of looking at a beginning of this idea in fiscal year 2003.

I think it is not out of the question that we could come into agreement among ourselves and with other contributing nations around the world on the idea of the measures that should be used as a results orientation for distributing this money, that we could get ourselves ready in time to begin at least on some modest level in 2003.

And while I am at it, I think maybe it is worthwhile saying the notion of where the President sees us going is to be at a level of— at a running rate level in 2006 of \$15 billion, which would be a 50 percent increase over the level that we are operating at now.

So we see this ramping up as we gain experience and knowledge in working with these ideas. But the President is quite serious about getting results for the money that is being spent.

I think there is work to do to make sure that we get the measures correct. My own experience is you get what you measure. And so if you are wrong about what you measure, you can regret the results. So—

Senator LEAHY. I could not agree more that you cannot just throw money at a problem. But we have a whole lot of existing programs that have proven track records of success but are currently underfunded. And I am wondering about putting money there.

We have talked about the \$1.43 billion you requested for the international financial institutions, \$177 million is to pay a third of the arrears we owe from past years; it is \$263 million more than 2002. We would like to put a lot more funding into existing programs that work. But where do we take it from?

I mean, do we fund USAID's education programs or the World Bank? Do we fund international peacekeeping or the Asian Development Bank? Unless we have the money in the budget request, it is difficult to do.

I agree very much in having standards that measure the success of programs, but I can show you a whole lot of programs that are working today but are starved for funds.

Secretary O'NEILL. I am thinking about the conversation I had with the President last week where we talked about the half a billion dollars that the United States has committed to the U.N. HIV/AIDS Fund. And we were remarking that the first of those funds were appropriated about a year ago, and so far there is no obligation in the field.

That is to say there is no program in the field yet as a consequence of those funds. It is my understanding that maybe sometime next month there will be the first actual distribution of funds.

So I guess I have the same sense of urgency you do, Mr. Chairman. You know, I come at this—you started by saying that some people have blasted away that I have been criticizing the institutions. And I guess I regret people interpreting what I am saying as critical of the institutions. Because that is not at all the perspective that I bring to this.

My own view is, which comes from as you said from working around the world, I think—I know you have done this and other members of the committee have as well, if you go and see what it's like for people who have no reason to have hope in their life, and that's what their whole life is going to be about, then it's not too hard to be impatient about these matters.

And to focus only on doubling the level of average income in low income countries from \$1 a day to \$2 a day is a pitiful vision I think.

So I am quite with you in believing that we should be very ambitious about what it is we should try to do. But I also believe this about the President's Millennium Fund, that this to me is the potential lever on a fulcrum that can move all of the assistance that is moving through these channels around the world, not just our bilateral aid but our multilateral aid and the aid that is coming from other countries.

It is interesting to note, you know, I was challenged about this last week so I got my statistical abstract out and rediscovered, I think maybe I knew this before, that last year American people and institutions gave \$175 billion in charitable giving.

So I think the spirit is there. And if we can do a better job of assembling the fundamental conditions that give life to hope for billions of people, there is a lot to lever here. And I think we can go a long way with \$5 billion worth of new leverage.

Senator LEAHY. Let me go to a very specific thing. You propose that half the World Bank's aid to the poorest countries be changed from loans to grants, to prevent new debt from being piled on top of old debt on top of old debt on top of old debt.

The Europeans strongly oppose this. Where do we stand? Is agreement possible, and would it be possible to channel more of the grant funds through nongovernmental organizations rather than through governments?

Secretary O'NEILL. Where we stand at the moment is I think we are making a little bit of progress. As we've been able to sit down with development ministers from other countries and make the arguments in a clear way where people can't get up and leave when it is inconvenient to continue the discussion. I think that those on the other side of this argument have been hard-pressed to explain why it is that a civilized world should say to developing nations that we want to give you, say, a \$10 or \$50 or \$100 million loan so that you can give people HIV drugs. And we want you to pay it back.

I mean, when you say it out loud it is such an absurdity that even the strongest proponents of "we've got to keep doing this loan" look at their shoe tops because they are so embarrassed to continue this argument.

And the same for inoculations, and we think the same for primary education, that we should say to people who are living on \$1 or \$2 a day, we are going to make you a loan. You have to pay it back.

I mean, just seems like such an insane notion. And I do think we are making progress. Hopefully this 2 or 3 days in Monterey with finance ministers and development ministers and lots of presidents and prime ministers will help us to move this along.

We are anxious to do it, because we are now holding some things up that should go forward. So we are—I think we are not being obstinate for the sake of being obstinate in this case. We are on the side of principle.

And we need to bring our friends, people like Tony Blair and Gordon Brown along, and Schroeder in Germany and the rest. Because I am confident it is not the right thing to ask people in these conditions to pay us back money that is needed for basic survival.

Senator LEAHY. I have a lot of other questions but I know time is limited. Senator Bennett and then Senator Reed.

OPENING STATEMENT OF SENATOR ROBERT F. BENNETT

Senator BENNETT. Thank you very much, Mr. Chairman. Mr. Secretary, you know I consider you one of the leading trouble-makers in this town because you are a truth teller. And truth tellers are in relatively short supply, vastly needed.

But given the culture of this town that is expecting people to cut and trim their opinions, they do not quite know how to react to you.

May I encourage you to keep doing it. I am sure you will anyway, without that encouragement.

I think you have just told the truth here. It is absurd to put money into a situation where it cannot grow and then expect it to be paid back. When you make a loan, you make a loan to a circumstance where somebody expects a return on that money.

This is why I have been such a strong proponent of microlending, because I have been in the field, have watched what happens. I have a piece of embroidery in my office that I brought from a woman in Morocco who started her business creating that embroidery on a \$75 microloan from AID.

I have pushed for a massive increase in microloan funding and run into massive opposition at AID both in the previous administration, have not yet seen it in this one, and the best reason I can come up with as to why they were opposing it is because they did not control the money.

I do not consider that a valid reason for opposing it. If you get the results, put more money. And if the results are good, put more money in it.

The results have been good and we have seen a number, large number of people come out of the most miserable poverty conditions into a degree of relative health, financial health that is in their lives transforming.

Now, by American standards you say, oh, they are still living in poverty. But poverty is the sense of relative deprivation. And by their standards they are doing extremely well.

Now, let me share with you a comment that I had from a leading minister in a foreign government. And I will tell you his name off the record. I will not raise it here.

As he and I were having dinner together in his country, and I said to him what do you need most. I sit on the Foreign Operations Subcommittee on Appropriations. What do you need most.

He said, I need people I can trust, trained people I can trust. He said I preside over a ministry of some 50,000 people. If I had 15 trained people I could trust, I could fire all the rest of the 50,000

and we would run the economy of this country a whole lot better than we do now.

He then said: When I have approached AID they say, oh, we do not fund scholarships. And they then off the record say, you are going to choose all your relatives and all your friends, and you are going to send them over and we are going to pay for them to go to college in America and we do not want to do that.

Whereupon he said: Fine. You pick the people. You go out and pick the people that you think have the potential after getting a degree from an American university in Economics or an MBA or something of that kind and then send them back to me.

Well, they'll get back to you on that. And it has not happened. I have been trying to promote scholarships in the universities in my own State from this very country just for this purpose.

If you are going to put money, here is—that is the lead up, here is the statement, and I would like your comment on it. If you are going to put money into a developing economy in an effort to turn it into a more productive economy, if you are going to follow the example you have given in the press of trying to make South Korea happen again, you are going to need trained people.

You have got to root out the corruption that is endemic in these countries where people think the culture is to take the government money, take the AID money and spread it around among your cronies or let it get to a bank in Switzerland somehow with your number on it. And nothing ever happens or very little ever happens.

Have you given any thought to the question of human capital in some of these countries and how AID can switch its whole attitude, and how the World Bank or the IMF might make a significant contribution to human capital so that we get the leverage that would come from attaching intelligent humans to money that can make a difference instead of just going on the way we have been going on.

Secretary O'NEILL. Senator, I think you are onto a very important point. And it is not just one I think for us to pursue with the instrument of the Federal Government. Now, I must say, I was in the Middle East for a week, a week before last, and one of the things I was very impressed by was the very large number of leaders in the Middle East who had been trained in U.S. colleges and universities.

I think it is a major reason why the leaders are with us and understand us because they had an opportunity to live here. And as a general point, I would add to your important concept of the need for trained people.

I think it is very much in the interest of the United States for people around the world to understand us from having spent a significant amount of time here. And frankly, we need to do the same in the other direction.

We need more Americans who have the authority of knowledge that comes from being in a place where you don't speak the language and in effect you are an infant again as you think about what you are doing in the world.

So I am very, very sympathetic to your point that we need trained people and we need the side benefit, if you will, of people

understanding each other's cultures a lot better. I think it would help to reduce the tensions in the world.

And certainly as we look at important elements of how we should stylize this \$5 billion that the President's talking about, this will be an important component in our thinking.

Senator BENNETT. Is there any way we can get the folks at IMF and the World Bank to put in some kind of human assessment as they make their economic assessments?

Secretary O'NEILL. Yes, sir, I think we can get their attention.

Senator BENNETT. Very good. Thank you, Mr. Chairman.

Senator LEAHY. Thank you, Senator Bennett. Senator Reed.

OPENING STATEMENT OF SENATOR JACK REED

Senator REED. Thank you, Mr. Chairman. Thank you, Mr. Secretary.

I will echo what I believe we have all said and all believe. We are spending a great deal of effort both in terms of treasure and more importantly in terms of the lives of American men and women in uniform to, as they say, drain the swamp.

But I think we all recognize if your efforts internationally do not succeed in terms of raising the standard of living in so many parts of the world, that swamp fills up very quickly. And so this is a very important topic.

It seems to me that in our programs in this regard there has been a dichotomy between at least two points, raising the standard of living and also encouraging American investment, facilitating investment, et cetera. And these two views have vied with each other for controlling our program direction.

It raises in my mind some very general questions, but I think they have hopefully some import. How do we measure results? Do we have a goal that is measurable, quantifiable or in some way definable?

And do we have a multi-year plan to reach those goals? Because we all recognize this cannot be accomplished by one budget submission or one round of discussions. And if you might comment on that, Mr. Secretary, I would appreciate it.

Secretary O'NEILL. Thank you very much, Senator. Perhaps it is useful to put down a couple of markers to begin with.

First of all, I think it's important to notice that around the world a relatively good job in development progress has been done over the last 40 or 50 years. A very, very large component of the investment that was made was private sector investment, foreign direct investment for practical purposes.

And it is also important to notice that money is—I am fond of saying money is a coward. And what I mean by that is it goes where it's likely to be treated well.

And so when you look at the conditions for success, for more than usual a rapid rate of development, I think you'll find some common conditions. One is that money is likely to be treated well, and underneath that is the notion of a rule of law and enforceable contracts and a minimum and hopefully receding level of corruption.

And those are the conditions that bring on rates of growth like those we have seen in Taiwan and South Korea and a few other places that are very substantial.

Now, in terms of measuring results, I believe that one of our most important measures should be the change in the average standard, average income level of individuals in a country. Because it is pretty unmistakable and it is pretty clear whether you have made any progress or not.

Now, underneath that there are a whole set of questions about distribution. And economists will give you more lectures than you want to hear about the distributive effects of raising the average income level. At least for me as a first approximation, I'd take an increase in the average and then we'll worry about the distribution question.

And especially to draw the difference between a place where the average income level is \$1 a day and on the other hand you look at Korea and it is \$24 a day, that's a lot of difference.

And you can deal with an awful lot of a distributional equity within that huge difference. It almost doesn't matter what the distributional consequences are.

So average income level is an important indicator I think of—a change in average income level is an important indicator. But I want to give you a more direct example of the kind of measure that I believe we should work on in these millennium grants.

In the millennium goals, the so-called millennium goals, there is what I am sure was a heartfelt need to deal with the subject of education. So the millennium goals say all children should be going to school by 2015.

Now, no one could argue with that. But I would submit to you it's not a worthwhile goal if nothing happens while the kids are in school. And for too much of what goes on, I won't name the country, but believe me this is a real circumstance where 25 percent of the country's budget is spent on education, and when the children graduate from high school, they are fully prepared to do manual labor.

Now, I make that point because what we really want from educational spending both here in the United States I would say, and everywhere else, for me at least the goal should be when children are 10 years old they should be able to read and write and compute at a level so that if they never saw the inside of an organized educational establishment again but had access to a library, they could educate themselves to a level that anyone would be proud to attain.

That is a real measurement of success that creates the basis for what Senator Bennett was saying about the need for educated and trained people. Having a lot of people with certificates and no capability or knowledge is worthless.

One of the things I would say we have been guilty of, and this is not to hammer the institutions, but that we in society have been guilty of, we have been too ready to accept input measures instead of output measures.

We have also I think been too ready to have a proliferation of 100 desirable goals instead of the 5 or 10 that are determinative of whether or not the whole society works.

So I think this charge that the President has given to me and to Colin Powell to develop a measurement set for how we should think about these millennium goals—I think is critical that we do

it well and that it be abetted by serious people who care about these things.

Because if we get the measurements right, we are much more likely to get everything that follows from this \$5 billion right.

Senator REED. And Mr. Secretary, just quickly, there is obviously a multi-year aspect of this, so that I know in the Defense Department they have their 5-year fit-up. Are you looking forward to a multi-year plan which you will share with us along with the goals?

Secretary O'NEILL. We are. We haven't yet landed on how we think the ramp-up should take place. But the President's committed to the idea that by 2006 and afterwards should be a minimum of \$5 billion incremental to where we are today, which is to say 50 percent over the \$10 billion that we use as a benchmark for where we are going.

And in a way, let me tie my answer together with the questions you and the chairman and Senator Bennett have asked.

I think, my own view is as we can demonstrate, that is to say we and other people who care about these things including the multilateral development banks and the rest can demonstrate that we know what we are doing by demonstrated success, I don't think those who follow us will have any hesitation in asking for more. And I don't think the people of this country with their great charitable spirit will hesitate for a moment to put resources where demonstrated results can be shown.

Senator REED. Thank you, Mr. Secretary. Thank you, Mr. Chairman.

Senator LEAHY. Thank you. Mr. Secretary, there was an article in yesterday's Washington Post on how you would maximize the effectiveness of foreign aid. And you are quoted as saying: "You say to foreign leaders you've got to create a rule of law that people can depend on, enforceable contracts, and you've got to stop being a part of the cycle of corruption." I absolutely agree with you on that.

Now, on the one hand we read your quote in the paper and on the other hand, we see the administration taking what seems to be the opposite approach with large amounts of foreign assistance. Take the case of Pakistan, for example. Pakistan has been a key ally in our efforts against terrorism. But there is a long history of government corruption in Pakistan.

In December, the administration provided \$600 million for budget support to Pakistan, with virtually no conditions on that assistance. I can understand the reasons why it was done, but it is almost as though we say, these are what our rules are, unless of course we need you at the moment. And if we need you, we will waive all the rules.

I do not see any indication the U.S. taxpayers will get their money's worth for the \$600 million. There are no strings attached to a large amount of aid to a notoriously corrupt government.

You were also quoted as saying we spend trillions of dollars on foreign aid, with little to show for it. Given the administration's approach with Pakistan, are we going to be in the same situation we were in during the cold war when the administrations of both parties shoveled money out to anybody who said, we are anti-communist, regardless of how the money was going to be spent.

Are we going to find ourselves in a similar situation as we respond to international terrorism? If any nation says we are anti-terrorist, or we have a good place on the map; is the United States simply going to dole out large amounts of foreign aid with no strings attached? You understand my concern.

Secretary O'NEILL. I do. Let me go back.

Senator LEAHY. And I can understand the thinking behind providing \$600 million to Pakistan, but—

Secretary O'NEILL. I understand. Let me tell you my view of this. And in order to do that, let me go back to November of 2000 which is a couple of months before President Bush took office. And this is not to find fault with what the previous administration did, but just to anchor the point.

I think in November of 2000 then Secretary Summers agreed with a funding for Argentina in a very large package. And if I remember correctly, the public and private aggregation of funds was something like \$43 billion.

And as you know, we came in saying we don't think this is the way to do business. And in April we found ourselves in a position of where Argentina had blown through the \$43 billion and we agreed to in effect another \$20 billion package.

You know, when I talk to others in the administration including the boss about this, I said I really think in the longer run we know what we have said is true north. And that is that we should not be the endless source of funds for countries that don't meet these conditions of rule of law and no corruption and enforceable contract.

But I don't think we can change the world overnight. It is going to take some time. And we have to share—we have to demonstrate goodwill. We have to show that we are not a heartless people in changing policy, and in effect we have to give people fair warning.

And so we did that. And in August, in the case of Argentina, we agreed to another—a small package which wasn't good enough to carry them through. And you know the dissolution and the changes of governments that they have had.

And I guess I would offer you Turkey as another case where they had a problematic economy, and working through the IMF they have made some really remarkable changes in what was going on there in order to secure another IMF package.

And all of this is by way of saying I think we need to be really clear about where true north is. And for me true north is about the role of development assistance in achieving the conditions that we know are necessary to real economic development that will inure to the benefit of raising the average standard of living in these countries, and whereas you say we have an issue of realpolitik that we not confuse that with economic development, that we in effect use some discipline on ourselves so that we know the difference between economic development and assistance to an ally that's crucial from a military point of view.

Senator LEAHY. My problem is that the foreign assistance budget is not even one-twentieth of the Defense Department. We have to be very judicious in how we spend these funds, and I get very concerned when we start providing large amounts of assistance for political purposes.

For example, there was a piece in yesterday's Washington Post on Uzbekistan, an autocratic nation with a terrible human rights record. The Post said that President Karimov is quickly learning the art of American clienthood as practiced by friendly dictators.

First, be quickest among your neighbors to volunteer bases and staging areas to the Pentagon. Next, serenade Washington with speeches about your love of capitalism and democracy while releasing a political prisoner to appease the State Department. Finally, sit back and count the U.S. AID money that rolls in, \$160 million for Uzbekistan this year, while quietly sustaining the repression that keeps you in power.

To their credit, the State Department has worked out an agreement with Uzbekistan committing the government to making democratic and economic reforms. The real test will be if the administration and Congress will hold the Uzbekistan Government to this agreement. We have already seen some troubling statements from President Karimov when he was in town here recently. For example, he said, we have already made a number of these reforms. We have created a democracy in Uzbekistan.

Not by any rational standard is there a democracy in Uzbekistan. I mean, this is like saying we have free elections in Zimbabwe. Neither one exists. But if we are going to give governments payoffs in order to obtain base and overflight rights—well, why not just say that and request enough funds in the foreign aid budget to accommodate these kinds of requests.

Secretary O'NEILL. But, you know, Senator, your line of questioning is very reminiscent of what I found when I said I thought financial contagion was a man-made phenomenon. And people said, well, what would you like to do about it?

And I said I think we ought to put people on notice when it's clear that they are slipping into the financial abyss. And the response I got was, well, you can't do that because it will be a self-fulfilling prophecy.

And I think much the same about what you are saying, in a way it goes to what Senator Bennett said earlier in his introductory remarks. It would be really great if we started telling the truth about all of this stuff on a regular basis. It would sure make life a lot easier.

Senator LEAHY. Well, we did not during the cold war.

Secretary O'NEILL. Now is a good time to start.

Senator LEAHY. Yeah, but we are not. I mean, why—

Secretary O'NEILL. I am not—

Senator LEAHY. One, I agree with you, but from what I have seen, especially in the cases of Pakistan and Uzbekistan, we may be heading in the wrong direction. Let us have the debate up here. We, the Appropriations Committee, cannot even find out how the money for our domestic programs that fight against terrorism is being spent, say nothing about home-land defense and whatnot, say nothing about overseas programs.

Why do not we just be very blunt and say, look, this is payoff. We are buying your support for the moment.

The main problem with going down this road, Mr. Secretary, is that the United States will have to be in a position to close our eyes to human rights violations. We will have to close our eyes to

corruption. We will have to close our eyes to the maltreatment of other nation's citizens. In other words, if it is in our security interest to do so we will ignore all of our important values such as human rights. But, if you don't own territory in a region where we want to conduct military operations or produce a lot of oil, then we'll go ahead and lecture you.

I want to avoid setting a double standard: Tough conditions on foreign aid to some nations, but no strings attached to assistance to nations who happen to be strategically located at the moment. We may have a little bit of trouble pulling some people on with us when we need them if we start doing that. Now maybe that is truth telling as Senator Bennett said.

But, I mean, we have got to figure out some way to balance this. I think you and I agree on a lot of these things. But I am just trying to figure how we balance it.

I do not want to get us into this problem we had for years with the cold war because in the end it ended up—it really ended up hurting us when we had some nations in Africa, for example, where there may have been real opportunities to bring about democracy, but because we were willing to close our eyes to everything they were doing, our foreign assistance ended up in Swiss bank accounts.

Poverty increased and instability increased. And now it is hurting us.

Secretary O'NEILL. I guess I don't think that our choices are at war with each other so much as your question implies. I think for an awful lot of these things it's surprising how much people will change if you are willing to say what you really believe up front.

It is not easy—it's not to say that things will change overnight, but I don't think our choices are between putting our values down and not. I really don't think it's that stark.

Senator LEAHY. Well, I just want to make sure we do not get into that, because frankly we have done that in the past. And I fault both Democratic and Republican administrations. And the temptation, there is always the short-term temptation, that the end justifies the means this time.

I do not think it has to be that way. I think we can help people. I think we can improve our security. I think we can do the necessary short-term objectives, such as military operations, but if we carefully and effectively target our foreign assistance dollars, in the long run we will be far more secure.

Fanaticism is fanaticism. But the more you improve democracy, increase openness and reduce corruption, the more you counter the conditions that help to breed fanaticism.

I know you have to leave, but Senator Bennett I think had another question. I do not want to take all the time.

Senator BENNETT. Mr. Secretary, can you expand on your comment on financial contagion, that it is not inevitable.

Secretary O'NEILL. Yes, sir. I think if you look at the experience of the 1990s, we saw a phenomenon where in effect the actions on the interventions of the international financial institutions aided and abetted by the United States and other major G-7 countries had decided that there was a great risk in the world that if a large country or even a not-so-large country was permitted to go into de-

fault on its publicly held debt, that the world capital markets would transmit that phenomenon around the world in a very fast fashion and that it would endanger the whole world financial system.

I think this was a broadly held view and it is why there were so many interventions in the last half of the 1990s. And they were growing in size. And it is what we found when we got here.

It was my view that the, if you will, the bailouts were a way of saying to risk capital you don't really have any risk.

What I mean is this. If you went into a country that inherently had a risk-adjusted cost of capital, say of 25 percent, that's a warning signal to an intelligent investor. Because there is no way that you can get a 25 percent rate of return unless you have got enormous risk that you won't get your money back.

What was happening because of these interventions on—I think with the best of intentions, was that we were teaching the world financial markets that what looked like a 25 percent rate of return was in fact a 25 percent rate of return because the world taxpayers were going to bail you out if the country failed.

I think we needed to demonstrate that people who put money into these high-risk situations were going to be permitted to lose it and not be bailed out by the world taxpayers.

I think we have accomplished that with the action that has been taken in Argentina. We have demonstrated that we are not going to bail out private capital. It thought it had found the golden goose and the world taxpayers would bail them out.

Another thing that has happened that's really quite important, I think we are now down to a very few countries in the world that have fixed exchange rates, which I am convinced is a good thing. Because if you don't have a fixed exchange rate, it means the world capital markets are recalibrating sovereign debt every day. And they are looking at your facts, and they are looking at the risk.

It means that you don't put yourself in a position, an individual country, where there can be a seeming falling off the cliff for a country's financial position. So I think a combination of moving a policy in a better direction and unfolding of a more integrated free-flowing world economy is—allows us to demonstrate contagion was indeed a man-made phenomenon.

It is not something that we have to in effect be paying off bribes, if you will, in order to defeat this phenomenon.

Senator BENNETT. Bob Dole gave me the assignment to work on the Mexican peso crisis. And I agree with you. I went through that experience and I learned a lot from it. Can you elaborate on the potential benefits of creating a mechanism for dealing with sovereign bankruptcy?

Secretary O'NEILL. I'd be happy to. I am sure you know that Anne Krueger at the International Monetary Fund has put forward a proposal about how we might in effect create the equivalent of a U.S. chapter 11 process for countries that find themselves in a difficult situation.

Let me first say this, that I think if we can move countries toward the notion that the world standard is—every country should have investment-grade debt, then the prospects of having to use any kind of a mechanism including the chapter 11 mechanism goes

down substantially. In an ideal world, we should never have a national bankruptcy.

Senator BENNETT. When you say investment-grade debt, you are talking about the kind of debt we currently have with U.S. Treasuries.

Secretary O'NEILL. Yes. Exactly. So that for a practical purpose today, one can think about a 5¼-percent interest on 10-year securities. And in lots of developing countries the equivalent rate is 25 percent.

That extra 20 percentage points is a measure of the risk that is associated with some of these developing countries. And then when they fall off the cliff, there is no limit. And you go into the kind of meltdown situation we have in Argentina.

In fact, if we had an agreed world restructuring process where you have regularized rules about how creditors and debtors will be dealt with, it could have been used very well in Argentina to cope with its problems.

We in the Treasury are working on these ideas with the notion that it would be great to have this kind of standby authority with the hope we never have to use it. But I think this is another instrument that we can help to put in place working with the IMF and the other institutions that will well serve us.

It's hopefully a fire station where the only thing we do is keep the dogs healthy and polish the brass.

Senator BENNETT. Yeah. Well, when you talk about the need for investment grade debts, you go against the standard country club Republican view that says we have got to pay the debt down to zero. And I have now repented in some of those views that I held at some point.

I am having the same conversations with the current chairman of the budget committee to try to get him to feel the same way. Thank you, Mr. Chairman.

Senator LEAHY. Thank you. I know you have to leave. Let me ask you one last question. We met our \$600 million HIPC commitment last year. You are not requesting funds for debt forgiveness this year. And I know the HIPC will not solve the debt problems of the poorest countries, but are there plans or proposals to expand debt forgiveness that the United States might support?

Secretary O'NEILL. Well, it is an issue that we continue to look at. We'd like to see some additional evidence of how we are doing with HIPC because you know, I think you know I am going to personally go to Africa in May.

I am going to look at some of these things on the ground and see how this debt relief has been translated into improvements in the living conditions of real people. But it is not an issue we have our minds closed to.

Senator LEAHY. When you get back, could you and I get together? I'd like to hear about the trip.

Secretary O'NEILL. I'd be pleased to do that.

Senator LEAHY. We will sit down and talk. I am sure there will be some other Senators, but I wonder if we can do it informally but I'd like to.

Secretary O'NEILL. Right.

ADDITIONAL COMMITTEE QUESTIONS

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

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

QUESTIONS SUBMITTED BY SENATOR PATRICK J. LEAHY

MONTERREY CONFERENCE ON FINANCING FOR DEVELOPMENT

Question. No one up here thinks that foreign aid is the solution to the world's problems. Private flows of capital often dwarf the amount of aid available. But as you have noted, the President himself has said: "A world where some live in comfort and plenty, while half of the human race lives on less than \$2 a day is neither just, nor stable."

The President has announced another \$5 billion for development assistance, beginning in 2004, conditioned on the performance of governments that want our aid. That is a welcome step, although I want to see the details, but it should be done this year, not in two years. These are not programs that can wait. They deal directly with U.S. national security. You yourself have described the horrors of AIDs, and the misery of people living in poverty. Why wait?

Answer. The central development challenge we and other members of the international development community face is how to bridge the large gap between the enormous needs of the poorest countries and their inability and/or capacity to use resources effectively. If a lack of finance were the primary constraint to development in the poorest countries, their problems would be so much easier to solve. So we have to focus not only on the level of new U.S. assistance but on ways to ensure this assistance will be effective in improving the lives of the poor. I am currently working with the Secretary of State in exploring ideas that will lead to the development of a set of clear, concrete and objective criteria for measuring country performance in pursuing the sound policies needed for the effective use of development assistance. I also note that the President's budget request for next year includes funding for the new replenishments of the International Development Association and the African Development Fund where in both cases U.S. contributions are set to rise by 18 percent above current funding levels.

Question. As I said in my opening statement, any increase is welcome, but is this really what the world's only superpower should be spending?

Answer. I believe that President Bush's proposal provides an enormous opportunity to spur economic growth and reduce poverty in the poorest countries. It will increase core development assistance by 50 percent over the next three years. And the strong linkages to demonstrated country performance will help ensure that the assistance is effectively used in improving people's lives. Together with other ongoing U.S. development assistance programs, and those of private U.S. agencies, it will represent a very substantial U.S. engagement in promoting economic and social development around the world.

CONDITIONALITY

Question. You and the President have proposed a couple of significant changes in the way foreign aid is administered.

First, you propose that half of the World Bank's aid to the poorest countries be changed from loans to grants, so we don't just pile new debt on top of old.

The Europeans have strongly opposed this proposal. Where does this stand? Is agreement possible? Would your proposal make it possible to channel more of the grant funds through non-governmental organizations, rather than through governments?

Answer. As you know, a year ago, President Bush proposed that up to 50 percent of the funds provided by the multilateral development banks to the poorest countries be provided as grants instead of loans. The principle of substantially increased grant financing for the poorest countries was embodied in an agreement among donors to the thirteenth replenishment of the International Development Association. (IDA-13). Under the agreement, between 18 and 21 percent of all IDA-13 financing will be in the form of grants. Operationally, this means that all IDA financing to the poorest countries for HIV/AIDS and virtually all for other key social sectors in

countries whose people live on less than a dollar a day will be provided as grants. As is the case with IDA loans, IDA grants will be provided to governments.

Question. Second, you and the President propose to link increases in the U.S. contribution to IDA, and other U.S. assistance, to measurable results in reducing poverty.

I agree this is needed, but usually it has been the Congress that wants to set performance benchmarks, and the State Department and the Treasury Department that want to water them down. Why is that? What types of specific measurable results are you talking about—give me some real examples.

Answer. As you note, the President's budget contains an innovative proposal for a results-based contribution to IDA-13. Under this proposal, additional U.S. funding for IDA is contingent on concrete progress in achieving measurable results in the World Bank's programs in the poorest countries. In the first year, an additional \$100 million in U.S. funding is linked to the establishment of a measurement and evaluation system needed to support more successful assistance programs, in addition to the completion of diagnostic surveys that assess the adequacy of country fiduciary and sectoral policies to effectively utilize IDA funds. In the second year, an additional \$200 million in U.S. funding is linked to measurable progress in improving primary school completion rates, increasing immunization rates and reducing the number of days and cost required to start a new business.

Question. I support conditioning our aid on the performance of governments that want our aid. But what about other types of aid? For example, why shouldn't we have similar performance requirements for the aid we give the Colombian military?

Answer. U.S. foreign assistance serves a broad and often complex range of U.S. economic, strategic and humanitarian interests around the world. The terms and conditionalities of individual U.S. assistance programs reflect the type and composition of each program and the specific objectives it is intended to achieve. The proposed Millennium Challenge Account is focused on achieving measurable economic development results and the conditionalities are being designed accordingly. The design of other programs such as U.S. assistance to Colombia reflect the specific focus and objectives of the assistance which is very different from that of the MCA.

BUDGET—PRIORITIES

Question. You have requested \$1.43 billion for the international financial institutions. That is \$263 million more than the fiscal year 2002 level. Of that increase, \$177 million is to pay one-third of the arrears we owe from past years.

We should pay these debts, and I commend you for requesting these funds.

But there are many competing programs in the Foreign Operations budget, and many of them are not adequately funded in the Administration's request. Should we fund USAID's basic education programs, or the World Bank? Should we fund international peacekeeping, or the Asian Development Bank? These are types of choices we have to make.

Jim Wolfensohn is a friend and I think he has the right vision for the World Bank. But I remain disappointed with the Bank's performance. Assuming we do not have enough money to do everything you want, what are your highest priorities?

Answer. Our priorities are laid out in the President's budget proposal. Our request for Treasury International Programs contains no less—but also no more—than is needed to fulfill our obligations and meet our policy objectives. The \$1.43 billion we have requested for the multilateral development banks in fiscal year 2003 consists of two basic elements. \$1.25 billion is requested to meet the United States' annual funding commitments to the institutions. The annual commitments are essential both to the ongoing operations of the institutions and to U.S. leadership in improving the institutions' performance and ensuring that U.S. taxpayer resources are used effectively to raise living standards around the world. The \$1.25 billion includes proposed increases under new replenishments for the International Development Association (IDA) and the African Development Fund (AfDF), concessional windows that provide assistance intended to raise productivity and improve the lives of people in the world's poorest countries. \$178 million is requested to pay one-third of outstanding U.S. arrears to the MDBs, which have risen for three consecutive years and now total \$534 million. It is imperative that the United States meet its international commitments, and the Administration has laid out a three-year plan to clear this rather substantial level of arrears.

Finally, our request includes \$10 million for Treasury technical assistance programs, which form an important part of our effort to support countries facing economic transition or security issues, and whose governments are committed to fundamental reforms. This request will allow us to continue current programs in countries in Africa, Asia, Central and South America and to expand into other countries

committed to sound economic reform policies. We expect to spend a significant amount on anti-terrorist programs. Over half of the traditional programs will be in Sub-Saharan Africa, as has been the case for the past two years. The anti-terrorist programs will be global in scope, with an emphasis on a group of about 20 countries that the Administration has identified as having financial systems vulnerable to misuse by terrorist organizations.

WORLD BANK REPORT

Question. One of the things that really got my attention from yesterday's Washington Post article about the World Bank report, is that "donors failed to appreciate how easily their efforts at development could go awry; for example, they gave money to governments that weren't genuinely committed to economic reform, and the underestimated the importance of governance"—that is, the existence of relatively uncorrupted, well-run bureaucracies and courts."

I've lost count how many times I, and others up here, made those arguments, and how time and again we were ignored. It still happens! In fact, the World Bank itself hasn't learned it. No one could call the World Bank a "well-run Bureaucracy." I doubt I ever will, at least not until they get to the bottom of that fiasco with the cost overruns for the new building a few years ago. That was a disgrace, and so was the coverup. And the wrong people lost their jobs.

Having said that, there are many intelligent, hard working, committed people at the World Bank. But like most bureaucracies, key managers seem more interested in preserving the status quo, than good governance.

How do we change that?

Answer. First, we need to hold the Bank accountable for delivering measurable results. Just as lending allocations should be based on a country's commitment to reform, so too should shareholders' support for the Bank be conditioned on the Bank's satisfactory achievement of key results. In all cases, development assistance can only be effective if countries create an environment with the institutional conditions and incentives required to encourage individual enterprise. These include the rule of law, enforceable contracts, stable and transparent government, and a serious commitment to eliminate corruption.

Second, we need to be vigilant in conveying the message that governance is important. I understand that based on the most recent performance-based allocation review for IDA, 17 countries will have their IDA lending allocations significantly reduced due to poor governance ratings. The U.S. needs to continue to support this framework and apply high priority to its enforcement. We should be prepared to support the World Bank when it cuts back assistance to countries that fail to deliver effective governance and create conditions conducive to economic growth.

Finally, we need to lead by example. Our bilateral assistance must be intently focused on ensuring that governance plays a critical part in the level of assistance delivered to developing countries. As the President has stated, good government is an essential condition of development. To that end, the Administration is working on a set of governance indicators that will determine eligibility for assistance from the President's proposed Millennium Challenge Account, rewarding nations that root out corruption, respect human rights, and adhere to the rule of law.

BUDGET—GLOBAL ENVIRONMENT FACILITY

Question. Your budget document makes a strong case for funding the GEF. For years, some House members opposed this funding, arguing that it was a "back door" way to fund the Kyoto Protocol. In fact, it was nothing of the sort. Do you agree that the GEF is supporting important environment activities that are consistent with U.S. interests?

Answer. GEF supports important environment activities that are consistent with U.S. interests. Examples of GEF projects in its core activities include conserving biodiversity, expanding clean energy production and more efficient energy use, cleaning up international waters and protecting fisheries, and phasing out ozone-depleting chemicals in Eastern Europe and Central Asia. Under the new replenishment currently under discussion, the GEF will expand its activities to support efforts to reduce persistent organic pollutants (POPs), which directly affect the United States, particularly the Great Lakes region and Alaska.

To be sure, there is room for improvement. That is why the United States is advancing a strong reform agenda to help the GEF improve its performance and focus more on results.

WORLD BANK MANAGEMENT

Question. For years, I have expressed concerns about the World Bank's treatment of its own staff. I have tried to encourage the Bank to reform its grievance procedures. There has been some progress, but the basic culture remains the same. Retaliation of managers against employees who make complaints remains a serious problem. I am not convinced that cases I saw mishandled five or ten years ago, would be handled differently today.

Until there are people responsible for operations down there who we have confidence in, I am not going to bend over backwards to help the World Bank. I am tired of the Bank lecturing other governments about good governance, pension systems, justice, and all the things those governments do need, and not applying the same standards to itself. I hope you will look into these issues, because if you talk to the right people, you will discover that all is not as it should be.

The Bank has established a new "Institutional Integrity Department." Are you familiar with this? Its purpose is to investigate fraud and abuse. No one supports fraud and abuse. But what is the scope of its authority?

Answer. I understand that the World Bank established the new Department of Institutional Integrity (INT) in November 2000, based on recommendations by former U.S. Attorney General Richard Thornburgh. INT has two core functions: first, to investigate allegations of fraud and corruption in Bank projects, and second, to investigate allegations of misconduct against Bank staff members.

Question. What protections do staff have against false accusations? Or invasions of privacy?

Answer. The Bank's Staff Rules provide that knowingly making false accusations is itself misconduct and, therefore, is subject to disciplinary measures. The Bank also has a number of rules and procedures in place that protect the privacy of staff members. For example, staff members are permitted to forward allegations confidentially or anonymously. In addition, staff members' e-mails and computer files can only be reviewed by investigators with the permission of a Managing Director and the General Counsel. The investigators working in the Department of Institutional Integrity are also staff members of the Bank and subject to the same Staff Rules as their colleagues in other parts of the institution.

Overall, I understand that the rights of Bank staff members have been unaffected by the creation of the new Department. For example, any staff member accused of misconduct must receive the allegations against him or her in writing, must have an opportunity to respond in writing, and must have an opportunity to review the investigators' report before it is submitted to the Vice President, Human Resources for a final decision. Staff members have the right to appeal misconduct decisions to the Bank's Appeals Committee and Administrative Tribunal.

Question. If a staff member is questioned, do they have the right to a lawyer to be present, or a member of the Staff Association? Can you find out?

Answer. Staff members are not permitted to be represented by counsel in interviews with the INT. According to Bank staff, INT's interviews are administrative in nature as the Bank has no authority to conduct criminal investigations. However, I understand that staff members have a right to be accompanied in interviews by another staff member, including a Staff Association representative, provided that the accompanying staff member has no involvement in the issues under investigation.

AFGHANISTAN

Question. Many foreign officials are grossly underpaid, and that often leads to corruption.

A Treasury technical assistance team is in Afghanistan helping the government with basic financial issues, such as putting together a budget. They tell us that they have seen very little—if any—corruption and there is a real opportunity here to build an effective government. However, the Treasury team told us that the budget is short some \$350 million to \$500 million to pay the salaries of government workers.

This budget shortfall could cause government officials to become involved in illegal activities to supplement their incomes, particularly drug trafficking. This would be a major impediment to Afghanistan's development over the long term, and could lead to situations—that you have described—where foreign aid is siphoned off by corrupt government officials.

What is the Administration doing, if anything, to try to prevent this from happening?

Answer. The Administration has led the international donor effort to help the Afghanistan government meet its needs in an effective and transparent manner, in-

cluding meeting the needs of the recurrent budget required to pay the salaries of government workers and maintain government operations. The Administration is working closely with other co-chairs of the Afghan Reconstruction Steering Group (ARSG) (EU/EC, Japan and Saudi Arabia) and the international financial institutions to ensure that the Afghan government has sufficient financial resources to meet its recurrent budget costs as it works to get its domestic revenue streams online. As part of this effort, the United States is contributing \$5 million to the Afghan Reconstruction Trust Fund, which will assist the Afghan government to meet its budget needs. Treasury's technical assistance advisor is assisting the Ministry of Finance with this undertaking.

TROPICAL FOREST DEBT RELIEF

Question. In 1998, Congress passed the Tropical Forest Conservation Act to protect tropical forests in developing countries through debt reduction.

Last year, Congress appropriated \$5 million and authorized up to \$20 million in unobligated balances to help implement this program. This is an important program with bipartisan support, and I want to be sure it gets as much funding as possible. How much of those unobligated funds will be used for debt reduction?

Answer. For fiscal year 2002, Treasury had \$6 million in unobligated balances to be used towards debt reduction under the TFCA. This amount, combined with the \$5 million appropriation, allowed a total of \$11 million to be allocated for TFCA in fiscal year 2002. Additional unobligated balances could be made available once Treasury has determined the final cost of bilateral debt reduction under the Highly Indebted Poor Countries (HIPC) program. For fiscal year 2002, \$11 million has been allocated for agreements with Peru (\$5.5 million) and the Philippines (\$5.5 million). Negotiations with Peru have concluded, and discussions with Philippines are ongoing.

Question. The fiscal year 2003 budget request contains \$40 million in transfer authority from USAID's programs to pay for tropical forest debt relief. This is not what we want to do. These are Treasury programs that should be funded by Treasury. Why were these funds requested this way?

Answer. The Administration determined that the flexibility to use the appropriation for grants and for debt reduction would best be achieved by giving the appropriation to USAID with authority to transfer funds to Treasury for debt reduction under the TFCA.

Question. How much, regardless of where the money comes from, do you expect to spend on this program in fiscal year 2003?

Answer. Including countries that have already negotiated TFCA agreements, there are currently eight countries eligible for the program (Bangladesh, Belize, El Salvador, Jamaica, Panama, Peru, Philippines, and Thailand). These countries alone owe the U.S. Government over \$1.9 billion in concessional debt which could be reduced through TFCA programs in these countries, and there are additional countries that are potentially eligible for the TFCA program. Treasury staff estimate that the United States can program for TFCA in fiscal year 2003 the amount of funds requested by the President's budget. However, the inter-agency process will determine fiscal year 2003 country allocations.

QUESTIONS SUBMITTED BY SENATOR RICHARD J. DURBIN

MONITORING RESULTS

Question. In your testimony, you called for measurable results from the multilateral development banks, and further said that the United States would make additional funding in future years above the fiscal year 2003 baseline subject to achievement of such results.

Could you please be more specific about what indicators of success in health, education, and private-sector development you intend to base your judgment on?

Answer. The President's budget contains an innovative proposal for a results-based contribution to IDA-13, under which additional U.S. funding for IDA is contingent on concrete progress in achieving measurable results in the World Bank's programs in the poorest countries. In the first year, an additional \$100 million in U.S. funding is linked to the establishment of a measurement and evaluation system needed to support more successful assistance programs, in addition to the completion of diagnostic surveys that assess the adequacy of country fiduciary and sectoral policies to effectively utilize IDA funds. In the second year, an additional \$200 million in U.S. funding is linked to measurable results in improving primary school

completion rates, increasing immunization rates and reducing the number of days and cost required to start a new business.

Question. Will you consider the status of women in your indicators?

Answer. The indicators agreed upon in the recent IDA replenishment agreement does not include a formal indicator on the status of women.

Question. How is this approach different from the conditions on aid that the multilateral development banks have been imposing on aid?

Answer. The creation of a monitoring and evaluation system and willingness by the World Bank to track progress on a set of indicators is a significant new development, and directly attributable to U.S. pressure on the Bank and other shareholders to insist on measurable results in the institution. This is separate from the performance-based allocation system that distributes Bank resources among eligible borrowers based on their policy performance. Our new proposal is an incentive-based contribution system. It would measure progress made on a set of select, high development-impact indicators and the impact that the World Bank itself had on delivering results. If sufficient progress is made, the Bank would receive additional donor resources. Moreover, this approach focuses on real, achieved outcomes, not promises of policy reform that often fail to come to fruition. It builds on the performance system already incorporated into country assistance and is fundamental to maintaining and building support for IDA and other development assistance.

Question. Can you tell me how you will measure poverty alleviation, and where that goal fits in your measurement success?

Answer. All the indicators for which we have signaled our support have a direct link to alleviating poverty, are consistent with IDA's mission and are fairly well tracked in most countries. Most importantly, the pursuit of increased living standards and economic growth is vital to effective poverty alleviation and something to which this Administration is committed.

DEVELOPMENT, HIV/AIDS, AND RESULTS-BASED AID

Question. Many countries will be unable to develop economically, and in fact may slide further into poverty because of the AIDS epidemic. Many countries are losing their civil servants and teachers—and in fact a whole generation of parents. How will you account for the HIV/AIDS epidemic in your results-based development approach?

Answer. I fully recognize the disastrous economic and social impact that the HIV/AIDS pandemic is having on many of the poorest countries. I saw the impact firsthand during my recent trip to Africa.

Education is one of the areas particularly hard hit, with the disease having a devastating impact on students, teachers, and the operations of schools. The staggering impact on the pandemic is illustrated by the fact that there are now over 13 million AIDS orphans with this number projected to reach 35 million by 2010.

The severity of the crisis poses an enormous development challenge. It also underscores the crucial importance of doing all that is possible in often difficult circumstances to ensure that donor assistance is well-targeted, well-coordinated, and rigorous in measuring results in terms of improvements in the number of people treated and, over the longer-term, in the stabilization and eventual reduction in the number of people infected.

TOOLS FOR MEASURING POVERTY

Question. I know the World Bank measures poverty based on a measurement of how many dollars per day on a purchasing power parity basis a person makes. Yet, when program officer's work out in the field, it is often difficult to determine someone's income. Are you working on other tools to measure poverty?

Answer. The collection of accurate and up-to-date economic and social data poses a major challenge in the poorest countries. This applies to per capita income as well as to data on such key social information as infant and child mortality. Yet, a good poverty monitoring system is essential both to measure progress and to track the quantitative and qualitative impacts of domestic and external resources. The World Bank and its development partners are collaborating in efforts to improve country systems and capacity for poverty monitoring. Over the last five years there have been improvements in the availability and comparability of country-level data on household consumption, income, and other indicators. We continue to attach high importance to improvements in the ability to measure and assess results in this area.

USER FEES

Question. Some people have charged that user fees placed on basic health and basic education prevent the poorest people from access to health care and education. What has the Treasury Department done to assess the impact of user fees?

Answer. Treasury agrees that user fees for primary education and health should not be imposed on the poor. Cost recovery for primary health care and primary education services should only be considered after governments have taken steps to maximize the efficiency and equity of public expenditures. If cost recovery for these services cannot be avoided, the poor should be expressly exempted from user fees and service charges, and fee systems should be carefully monitored to ensure that exemption mechanisms function as intended.

That said, Treasury has not found any evidence in its oversight of loans, country strategies and institutional policies that the multilateral development banks are conditioning their lending on the payment of user fees, payment of service charges, cost recovery, cost sharing or community financing charges by the poor for basic health care or education services.

 QUESTIONS SUBMITTED BY SENATOR MITCH MCCONNELL

FOREIGN ASSISTANCE BUDGET

Question. Mr. Secretary, you have been singled out by the press as a “chief foe” to increasing foreign assistance programs. What are your objections to a larger foreign assistance budget?

Answer. I have a very strong commitment to advancing economic development and recognize the importance of helping the poorest countries in their efforts to increase economic growth and reduce poverty. My objection is to focusing solely on dollar amounts of foreign assistance instead of results in improving the lives of the poor. Dollars make a difference in creating growth and higher living standards only if they are used effectively. I believe that wealthy nations such as the United States have a responsibility to see that their assistance produces real improvements in the daily lives of people in the poorest countries. Indeed, I strongly support the President’s proposal to increase the U.S. contributions to the African Development Fund and International Development Association by 18 percent, but we are insisting on measurable results as part of this increase. I also support the Millennium Challenge Account proposal, which will represent a 50 percent increase in U.S. development assistance, because it will require recipients to have a strong policy framework that should lead to a return on our investment.

Question. What do you believe is an appropriate increase in our foreign aid budget in the post-September 11 world, and what adjustments should we make to ensure that our foreign aid dollars are used effectively?

Answer. I strongly support President Bush’s landmark proposal to increase development assistance substantially. The Administration’s fiscal year 2003 budget request of \$1.447 billion for Treasury’s international programs reflects our goals of promoting economic growth around the world insisting that the multilateral development banks show results in raising living standards and reducing poverty. The \$1.25 billion request for annual commitments to the multilateral development banks—which includes 18 percent increases for the International Development Association (IDA) and the African Development Fund—will advance U.S. leadership in improving the institutions’ performance and ensuring that U.S. taxpayer resources produce measurable results in raising living standards around the world. It was because of such U.S. leadership that the recently concluded IDA replenishment agreement includes the establishment of a measurement and evaluation system to measure developing countries’ progress against a set of key development indicators. The agreement also includes concrete benchmarks for achievement of results in areas of health, education, and private sector development. The President’s budget links \$300 million in the U.S. contribution to IDA over the next three years to achieving results in these areas.

U.S. leadership also demands that the United States meet its international commitments. The Administration has laid out a three-year plan to clear the rather substantial level of outstanding arrears to the multilateral development banks. The President’s fiscal year 2003 budget includes a request for \$178 million to pay one-third of these arrears, which now total \$534 million.

Finally, our request includes \$10 million for Treasury technical assistance programs, which form an important part of our effort to support countries facing economic transition or security issues, and whose governments are committed to fundamental reforms. This request will allow us to continue current programs in coun-

tries in Africa, Asia, Central and South America and to expand into other countries committed to sound economic reform policies. We expect to spend a significant amount on anti-terrorist programs. Over half of the traditional programs will be in Sub-Saharan Africa, as has been the case for the past two years. The anti-terrorist programs will be global in scope, with an emphasis on a group of about 20 countries that the Administration has identified as having financial systems vulnerable to misuse by terrorist organizations.

DEBT RELIEF/POVERTY REDUCTION

Question. Beyond the Heavily Indebted Poor Countries (HIPC) Initiative, are there any additional international efforts to secure debt relief for impoverished countries?

Answer. Although there have been calls by some non-governmental organizations to go beyond the HIPC initiative, I believe that we should focus on effective implementation of the current HIPC program, which is still not fully financed. As a means of helping to avoid a build-up of unsustainable debt in the future, the President proposed that the World Bank and other multilateral development banks provide up to 50 percent of their funding to the poorest countries in the form of grants instead of loans. The principle of substantially increased grant financing for the poorest countries was embodied in an agreement among donors to the thirteenth replenishment of the International Development Association. (IDA-13). Under the agreement, all IDA financing to the poorest countries for HIV/AIDS and virtually all for other key social sectors in countries whose people live on less than a dollar a day will be provided as grants.

FOREIGN AID LINKAGES

Question. News reports from the ongoing International Conference on Financing for Development in Monterrey, Mexico indicate that foreign donors recognize corruption and lack of political will as a major impediment to the alleviation of poverty. Are other donors willing to make the linkage between the provision of foreign aid and measurable progress on good governance?

Answer. Corruption remains an enormous barrier to both domestic and foreign investment and a tax on economic efficiency and social progress that poor countries can least afford. This is recognized not just by donors, but by the international community at large. The Monterrey Consensus that was endorsed by all participants in the Conference was very clear in recognizing that fighting corruption at all levels is a development priority.

Question. Given the absolute failure of the donor community to take on controversial issues in some countries (such as Cambodia and Haiti), what assurances exist that the donors themselves possess the political will to hold foreign governments accountable for their actions?

Answer. I believe that the donor community is coming to recognize the simple truth that sensible economic policy choices that raise economic growth lie at the core of all successful poverty reduction stories. Research has clearly shown that when a country's policies are sound, external assistance can have a significant and positive impact. Conversely, when public policies are poor, assistance will have no or even negative impact.

For these reasons, country performance is becoming a hallmark of development assistance strategies. For example, the forty donor countries that contribute to the International Development Association (IDA) have agreed on twenty performance criteria for the allocation of IDA funding. These criteria accord special weight to governance. For the IDA-13 period, 17 countries will have their IDA lending allocations significantly reduced due to poor governance ratings.

Question. What criteria are you considering to measure policy performance under the President's new foreign assistance initiative in the areas of good governance, health and education reform, and sound economic policies?

Answer. In all of these areas, strong leadership is an essential criterion. We are considering a number of measures of policy performance from sources such as business surveys, expert evaluations, and country/multinational statistical agencies. The key issues we are trying to capture in each area include good governance (political freedoms, civil rights, rule of law, minimal corruption, enforcement of contracts, property rights); health and education (commitment to health/education, quality of health/education); and sound economic policies (macroeconomic stability, open markets, freedom from excessive regulation or government interference).

Question. The rule of law is a critical factor in attracting legitimate private sector investment in developing countries. What additional steps can the United States

take to ensure that foreign governments understand the linkages between the rule of law and investment?

Answer. The private sector's role is the engine of economic growth. We should stress that in all our statements. We should stress that governments must take the responsibility for creating the institutional conditions and incentives required to encourage productivity and individual enterprise. These depend on the rule of law, enforceable contracts, and stable and transparent government. The President has also made it clear that the proposed Millennium Challenge Account will reward nations that adhere to the rule of law, root out corruption, and respect human rights.

Question. What importance do you place on linking political reforms—that is, the democratic systems of governance—to our foreign assistance programs?

Answer. Good government is an essential condition of development, and countries that rule justly, invest in their people, and encourage economic freedom will receive more economic assistance from the United States. As President Bush has emphasized, all people deserve governments instituted by their own consent. The promotion of democratic system of government is and will remain a fundamental goal of U.S. foreign policy.

GRANTS VERSUS LOANS

Question. What is more appropriate for funding HIV/AIDS programs: loans or grants?

Answer. Grants are more appropriate. One of the reasons why the United States supports a significant increase in grants funding for the poorest countries is that many projects that the MDBs pursue in these countries do not generate the necessary revenues to service loans. Funding to address the HIV/AIDS pandemic in Africa is a very good example of the type of project where grant funding is the most appropriate form of assistance. We believe that such assistance cannot be viewed as a revenue generating measure and should therefore be delivered entirely on grant terms.

TERRORIST FINANCING

Question. A recent AP story indicated that the al-Qaida terrorist network is again transferring funds for its operations. Are these reports accurate, and how and where is the money being moved?

Answer. While there is no question that al-Qaida capacities have been significantly impaired by military, law enforcement, and financial actions, nobody claims that we have succeeded in destroying this organization entirely. It is prudent to assume that, despite the successes that we have achieved in disrupting their finances, they are attempting to re-group and we must maintain the vigilance that has produced results so far. We, and our colleagues in the intelligence community, are aware of the press reports you mention, but I feel that to comment too directly about specific allegations could reveal intelligence sources and methods.

Question. What U.S. Government departments and agencies are involved in combating terrorist finance, and who is leading our efforts?

Answer. The USG effort in fighting terrorist finance is truly collaborative. It involves the State Department, the Department of Justice, various agencies of the intelligence community, the NSC, and many bureaus and offices of the Treasury Department. The President's Budget states on page 268: "Treasury leads the nation's war against the financing of global terrorism." Thus, Treasury has led the multilateral campaign to identify, disrupt, and dismantle terrorist financing networks. Treasury chairs an interagency committee that is devoted to addressing issues relating to terrorist financing. In addition to Treasury, this committee is made up of representatives from the CIA, DOD, FBI, Justice, NSA, NSC and State.

Question. The fiscal year 2003 request contains \$3 million for programs to combat terrorist financing. Please describe these activities, and are additional funds necessary to more effectively block assets?

Answer. The funding requested in fiscal year 2003 will be used for FTE annualization. If OFAC determines additional assets are necessary, it will work with the Treasury Department and OMB through the budget process.

Question. Are there specific countries that are not cooperating with U.S. efforts to locate and block the assets of terrorists? If so, what action is being taken?

Answer. We have been generally successful in achieving international cooperation in the war on terrorist financing. All but a small handful of countries (all of which are already the object of U.S. sanctions) have expressed their support for the U.S. led war on terrorist financing. Over 160 countries and jurisdictions across the globe have implemented blocking orders against the assets of terrorists and their supporters. We are actively cooperating with the non-participating countries to imple-

ment the necessary legislation and regulations to have these countries join in our global efforts.

CHINA

Question. The World Bank claims as a result of foreign assistance “the number of rural poor people [in China] fell from 250 million to 34 million in two decades of reform.”

Given that China’s transient labor force is estimated to be as high as 120 million people, is this claim legitimate? Did the World Bank rely on official PRC statistics for these figures?

Answer. China’s strong economic performance has been driven by its market-oriented reforms. China’s poverty headcount has indeed dropped dramatically, according to official statistics and a variety of independent estimates. The great bulk of success was due to domestic rural policies that: (1) returned land to individual household management; (2) built roads, irrigation systems, power lines and other basic infrastructure; and (3) encouraged rural industries and migration of rural workers to distant places of employment.

China’s transient labor in fact has helped reduce poverty. Any family in China that only farms is virtually certain to be poor. The source of rural income and consumption growth in the past five years has been off-farm employment.

Question. How important do you view rule of law programs that the U.S. sponsors in China, and should we be doing more to help bring about change (economic, legal and political) on the Mainland?

Answer. Across a wide range of legal institutions and participants, lack of appropriate education and relevant experience cripple China’s legal system. The U.S.-sponsored rule-of-law programs, including legal training and environmental law, are small but important contributions toward gradual improvement in this area. Active programs, such as rule-of-law programs and other bilateral contacts, promote economic, legal and political change. In my view, targeted projects like these are a cost-effective way to encourage progress in China’s market-oriented reforms.

SUBCOMMITTEE RECESS

Senator LEAHY. Thank you very much, that concludes the hearing. The subcommittee will stand in recess until 10 a.m., Wednesday, April 24, when we will meet in room SD-226 to hear from the Secretary of State, Hon. Colin Powell.

[Whereupon, at 3:33 p.m., Tuesday, March 19, the subcommittee was recessed, to reconvene at 10 a.m., Wednesday, April 24.]

**FOREIGN OPERATIONS, EXPORT FINANCING,
AND RELATED PROGRAMS APPROPRIATIONS
FOR FISCAL YEAR 2003**

WEDNESDAY, APRIL 24, 2002

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

The subcommittee met at 10:07 a.m., in room SD-226, Dirksen Senate Office Building, Hon. Patrick J. Leahy (chairman) presiding.

Present: Senators Leahy, Durbin, Reed, McConnell, Specter, and Bennett.

DEPARTMENT OF STATE

OFFICE OF THE SECRETARY

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

OPENING STATEMENT OF SENATOR PATRICK J. LEAHY

Senator LEAHY. Good morning, Mr. Secretary, and welcome to this hearing. Again, I must express the appreciation of Senator McConnell, myself, and other members of the committee for the breakfast meeting with you yesterday. I thought it was a very candid and very welcome briefing, especially following an extraordinary diplomatic trip that you took on behalf of our country.

I would like to begin our session today with some words that express feelings that are strongly felt in this committee, the Senate, and across the Nation. This week, our neighbor, Canada, is burying four of its soldiers who lost their lives as a result of an accidental and tragic bombing in Afghanistan, and I want to take this opportunity to pay tribute to these men. They stood shoulder to shoulder with our troops, and they lost their lives helping us defeat terrorism in Afghanistan. It is a terrible tragedy. We should not only thank the Canadian soldiers but also convey our deepest condolences to their families.

Marcelle and I live about an hour's drive from the Canadian border, and we think of Canada as that giant to the north. We sometimes forget Canada is our largest trading partner, and we have no better friends. Many of us in the United States have ties historically or otherwise to Canada. My wife is a first generation American of Canadian descent, and both her parents were Canadians.

Canada, like so many countries, also lost sons and daughters on September 11, and we grieve for them as we grieve for our own.

It is hard to think of any country with whom we have closer and more personal ties. Mr. Secretary, I know you agree with me in these feelings.

Secretary POWELL. Yes, sir.

Senator LEAHY. Mr. Secretary, I want to commend you for the tone you have brought to the office, the way in which you have boosted morale at the Department, and the hard work you are doing. I would like to commend your legislative affairs staff. They are doing a superb job, and rarely get acknowledged.

Now, this is an important time for you to be speaking to the Congress and the American people. As I mentioned earlier, you have just returned from the Middle East. I am going to put much of my statement in the record because I want to save time for questions. I think you may want to do the same with your opening statement.

When we see the horrifying violence in the Middle East, something that none of us can overlook. I am forced to reluctantly conclude that the administration blundered badly by staying away when our leadership was needed most. Now, it may have been because the President was preoccupied with the war on terrorism, did not want to be identified with a policy that his predecessor was so deeply engaged in, or was concerned that we may be dragged into a quagmire that could end in failure. Whatever the reason, it was a big mistake. We are the only country that can effectively play the role of intermediary in the Middle East. By staying away, the situation has become so polarized and steeped in bitterness and hatred, the task of bringing peace to the region is now infinitely harder.

Throughout this period, Mr. Secretary, I think you have been the exception. You have been a voice for engagement, for tolerance, and for fairness toward both sides. We are grateful that you have traveled to the region and helped to reduce tensions, especially among Israel's neighbors that were close to spinning out of control. I hope your trip is the beginning of a more forceful strategy for peace, because it is clear that normal diplomatic efforts have failed.

Both sides say they want to live in peace, but whatever they have gained or suffered in the past few weeks has, I believe, only made peace more elusive. A two-state solution is the only solution, and that means a Palestinian state that is viable, that is worth living for, and not a state in name only. For the Israelis, it means being able to live free of terror and fear.

Suicide bombings or other deliberate attacks against civilians are acts of terrorism. They can never be justified. No matter what definition they are given, these acts of terror are not justified today, they were not justified yesterday, and they will not be justified tomorrow.

In fact, the strategy of the Palestinian leadership has been a disaster for the Israeli people, for the Palestinian people and for the entire region. Mr. Arafat has repeatedly deceived his own people. The Palestinians are industrious, compassionate, and proud people. They deserve far better.

As long as either side deprives the other of the freedom, the dignity, and the security to which all people are entitled, the bloodshed will continue. President Bush was right when he said there has been a lack of leadership from both sides, and that is why, more than ever, strong U.S. leadership is needed. I hope that you,

Mr. Secretary, will be given the support you need from the White House to provide that leadership.

On the issue of Afghanistan, I believe our deliveries of aid have fallen short. The President called for a Marshall Plan for Afghanistan, but he has not requested adequate resources or taken the steps to provide sufficient humanitarian assistance or enhance security, both of which are desperately needed. I would like to discuss this issue further with you over the course of this hearing.

I expect the Congress, as I mentioned to you when we came in, will support much of what you have asked for in the supplemental, but I am not happy about the sweeping authority the administration proposes for much of the funds. Your lawyers have sought to waive existing laws, including most human rights conditions and other restrictions, even though you want to give this aid to some of the most authoritarian, corrupt, and backward governments in the world. Clearly, this does not square with the President's recent admonition that we should tie our foreign aid to good governance, sound economic policies, and a commitment to alleviating poverty. I do not want us to make the same mistake that administrations of both parties made during the cold war, when governments that did little more than declare themselves anticommunist would receive foreign aid no matter how corrupt they might be. By doing this, we failed to promote the basic values—democracy, economic freedom, and human rights—that make this Nation great. As the cold war began to wind down, we followed a similar pattern by providing assistance to authoritarian governments that declared themselves to be anti-drug. With the supplemental, I am afraid that we are starting down a road where we give assistance to nations who claim to be anti-terror, without pushing for reform in other key areas.

We have high standards in this country. You have maintained those standards both in your military career and in your career as a diplomat. I just want to make sure U.S. aid helps to promote these high standards. I will put the rest of my statement in the record, and yield to my good friend, the Senator from Kentucky.

[The statement follows:]

PREPARED STATEMENT OF SENATOR PATRICK J. LEAHY

I would like to begin our session today with some words that express feelings that are strongly felt on this Committee, in the Senate and across our nations.

This week, Canada is burying four of its soldiers who lost their lives as a result of the accidental bombing in Afghanistan. I want to take this opportunity to pay tribute to these men. They stood shoulder to shoulder with our own troops and lost their lives helping us defeat terrorism in Afghanistan. It was a terrible tragedy, and we should not only thank the Canadians, but also convey our deepest condolences to their families.

As a Vermonter who thinks of Canada as "that giant to the north," we sometimes forget that Canada is our largest trading partner and that we have no better friend. Canada, like so many countries, also lost sons and daughters on September 11th, and we grieve for them as we grieve for our own.

Mr. Secretary, we welcome you here, and we commend you for the tone you have brought to the office, the morale you have lifted at the Department, and the hard work you are doing. I also want to commend your legislative affairs staff. They are doing a superb job.

With so much attention on the Middle East—and you just having returned from there—this is an important time for you to be speaking to the Congress and to the American people.

I am going to put most of my statement in the record because I want to save time for questions. I would also ask you to keep your prepared remarks brief for the same reason. We have a lot to discuss and not very much time.

Mr. Secretary, we are all preoccupied with the horrifying violence in the Middle East. My personal opinion is that the Administration blundered badly by staying away when our leadership was needed most. Whether it was because President Bush did not want to be identified with a policy that his predecessor was so deeply engaged in, or because his advisors were afraid that he would be drawn into a quagmire that could end in failure, it was a big mistake.

The United States is the only country that can play the role of intermediary in the Middle East. The situation has become so polarized, so steeped in bitterness and hatred, that our task is now infinitely harder. Throughout this period, I think you have been the exception. You have been a voice for engagement, for tolerance, and for fairness toward both sides. We are very grateful that you traveled there and helped to reduce tensions—especially among Israel's neighbors—that were close to spinning out of control.

I hope your trip was the beginning of a more forceful strategy for peace, because it is clear that normal diplomatic efforts have failed. Both sides say they want to live in peace, but whatever they have gained or suffered in the past few weeks has, I believe, only made peace more elusive.

A two-state solution is the only solution. And that means a Palestinian state that is viable, that is worth living for, not a state in name only.

And for Israelis, it means being able to live free of terror and fear. Suicide bombings or other deliberate attacks against civilians are acts of terrorism that can never, ever be justified.

The strategy of the Palestinian leadership has been a disaster, for Israelis, for Palestinians, for the entire region. Mr. Arafat has repeatedly deceived his own people. Palestinians are industrious, compassionate, proud people. They deserve far better.

As long as either side deprives the other of the freedom, the dignity, and the security to which all people are entitled, the bloodshed will continue. The President was right when he said there has been a lack of leadership on both sides. That is why, more than ever, stronger U.S. leadership is needed. I hope that you, Mr. Secretary, are given the support from the White House to provide that leadership.

The only other thing I will mention in these remarks is Afghanistan, where deliveries of aid have fallen short. The President called for a "Marshall Plan" for Afghanistan, but he has not requested adequate resources nor taken steps to provide the security that is desperately needed. We can discuss this further after your testimony.

Again, we appreciate you coming here. I will put the rest of my statement in the record, and ask Senator McConnell to make any opening remarks he may have.

Mr. Secretary, we are here to consider your requests for a fiscal year 2002 emergency supplemental appropriation, and for the fiscal year 2003 regular appropriation for Foreign Operations.

I expect the Congress will support much of what you have asked for in the supplemental. However, let me say that we are not happy about the sweeping authority the Administration proposes for much of the funds. Your lawyers have sought to waive all existing laws, including most human rights conditions and other restrictions, even though you want to give this aid to some of the most authoritarian, corrupt, backward governments.

How this squares with the President's recent admonition that we should tie our foreign aid to good governance, sound economic policies, and a commitment to alleviating poverty, is a mystery. It is as if, because these funds are requested to support what has apparently become an open-ended, global war on terrorism—and no one seems to know what is included in the term "terrorism"—that we should write a blank check.

That is what we did during the cold war, when we gave aid to any government that claimed to be anti-Communist, often with disastrous results. It is why so many people, the Secretary of the Treasury included, have called foreign aid a waste.

So we do not want to get into a situation, again, where the ends are seen to justify the means, even if the means are unacceptable.

I have a number of questions about your request to broaden existing authority to include counter-terrorism assistance for Colombia. I think a case can be made for it, if we see more progress on human rights, but the Administration has yet to articulate what our objectives are, what it would take to achieve them, and at what cost. We also need to be convinced that the Colombian Government is going to start treating the crisis there as a national priority, and devoting the necessary resources to it.

For Afghanistan, you have requested only \$40 million for disaster and reconstruction aid. That is less than one-third the amount USAID says it needs. It flies in the face of the President's speech just last week, and it leaves to Congress the task of shifting funds to make up the shortfall.

Your Middle East Economic Initiative makes good sense to me, but it is a fraction of the size it should be. In Vermont, we spend over \$2 billion on public education for 101,000 students. Secular education is desperately needed in the Middle East, but we will barely scratch the surface with \$50 million.

Your fiscal year 2003 budget request is an improvement over last year, but not by much. I am sure you wish it were higher, and that the President's Millennium Challenge Fund were scheduled to begin in fiscal year 2003, instead of a year later. I want to discuss that with you, because all the problems it seeks to address are getting worse every day.

We have concerns about your proposed cuts in assistance to Central and Eastern Europe, to the former Soviet countries, and for peacekeeping. We are concerned that the Central and South American countries are not receiving the attention they should, except through the counterdrug program. There are many other reasons to provide assistance to our southern neighbors, and I suspect the President would agree.

A few small programs have been cut, like aid for East Timor—a needy and deserving country if there ever was one. East Timor elected its first President only last week. It is the wrong time for us to cut back there.

You have increased funding for USAID's HIV/AIDS programs, but you do so by cutting funds for other international health activities. That makes little sense.

Destruction of the environment has a direct impact on social stability and regional security. The increasing pressures on limited water resources is but one example. Programs in this area have been seriously underfunded for years, and this budget is no better.

Your budget includes only \$100 million for the Global Fund to Combat AIDS, TB and Malaria, and another \$100 million would come from the Labor, Health and Human Services, and Education budget. This is \$100 less than we provided last year, including the supplemental. The Global Fund just barely became operational, and it has already received more proposals than it has funds to support. \$200 million is not enough.

In the former Yugoslavia, the government continues to be an obstacle to the War Crimes Tribunal. We are not seeing anything like the cooperation called for in our law. In fact, the opposite. It is clear that the Federal authorities, and to a lesser extent Serbian officials, are engaged in a cynical process of calculating what the minimum is that they need to do for you to certify that they are cooperating, and then they will again do nothing until it is time for the next certification. I hope you do not succumb to this game.

I also urge you to not unsign the Rome Treaty establishing an International Criminal Court, which would bring to justice those responsible for some of the most heinous crimes against humanity. Unsigning at this time would cause us to lose valuable leverage to shape the court in our interests, do nothing to protect U.S. citizens, weaken our moral authority, and create more tensions with our European allies.

I have questions on each of these issues, but I want to end on a positive note. The Leahy human rights law has been in effect since 1997. It says that if the Secretary of State has credible evidence that a foreign military or police unit has committed a serious human rights violation, U.S. aid to that unit must end unless the foreign government is taking effective measures to bring the individuals responsible to justice.

There was some grumbling about the law in the early days, but since then it has been accepted and, for the most part, strongly defended by the Administration. I think that is because the alternative—that even when there is such evidence we would continue to support a unit that has been implicated in a serious crime—is indefensible. It is not a simple law to administer and in some instances I have strongly disagreed with the Department's application, or lack of application, of the law. I have repeatedly expressed concerns about whether the law was being adhered to in the Middle East. But on the whole it has been taken seriously, and I want you and the rest of the Administration to know that I appreciate it.

Thank you.

OPENING STATEMENT OF SENATOR MITCH MCCONNELL

Senator MCCONNELL. Thank you very much, Mr. Chairman, and welcome, Mr. Secretary, to our subcommittee. It is great to see you

again, and we appreciate very much the opportunity to have breakfast with you yesterday and discuss your recent efforts in the Middle East.

Let me begin by saying that I fully support the President's \$16.1 billion foreign operations request for this year. While Congress will undoubtedly amend the request, as we typically do every year, the proposed \$783 million increase over last year's level does reflect a growing sense that foreign aid is an important weapon in our arsenal against terrorism. This is one conservative Republican who is a believer in foreign aid, and who is going to help you increase our foreign aid levels. I am enthusiastic about the President's request to dramatically increase our foreign assistance over the next few years.

You will also have my support for the \$1.3 billion foreign operations request contained in the emergency supplemental. Although these funds are targeted towards countering terrorism, Israel was not included in the request. A convincing case can be made that circumstances in the Middle East have dramatically changed since the request was submitted to Congress last month, and that the issue of additional assistance to Israel should be revisited.

As I said, we had an opportunity to discuss your recent trip yesterday morning. We appreciate the chance to do that. You are certainly the right man to be on the point in this very difficult and complex subject. The frustration with the PLO Chairman Yasser Arafat's leadership runs high in Washington. It certainly runs high here in the Congress.

As I said when I introduced the Arafat Accountability Act last week, the violence-prone PLO chairman is the weakest link in securing a cease-fire and moving forward to a political settlement. We should expect that the Israeli military will be bivouacked outside Arafat's compound in Ramallah for as long as it takes to secure meaningful commitments to bring to a conclusive end the ongoing terrorist attacks against the Israeli people. It is wholly unacceptable for Arafat to talk peace in English and practice terror in Arabic.

To return to the 2003 budget request, the administration proposes a \$129 million cut from Eastern Europe. The SEED account provides critical assistance to such troubled spots as Serbia and Macedonia, countries that are far from graduating to developed nation status. These cuts may have unintended consequences, such as retarding the region's economic and political development. This may be a case of paying for it now, or paying for it later.

Similarly, the \$29-million cut to the Independent States of the former Soviet Union is troubling. I recognize that some of the pain is offset in the supplemental's \$155 million request for Uzbekistan, Tajikistan, Kazakhstan, the Kirghis Republic, and Georgia, but other countries, particularly Armenia, are not provided with sufficient assistance that is critical to their development and our war against terrorism.

To remain in the Caucasus just for a moment, the lack of progress in the ongoing negotiations over Nagorno-Karabakh is dismaying, and I know you are not happy about that, either, particularly after heightened expectations following last year's meetings in Key West. Given elections in Azerbaijan next year, I personally do

not hold any great hope that we will see major progress in the coming months, but we should be aggressive in securing confidence-building measures no matter how small or seemingly insignificant. I hope that you can keep this on your radar screen to some extent. I know you have got so much going on these days, but I think a settlement of that dispute in the Caucasus would certainly produce a lot of positive results.

Let me also just close with a few comments on the situation in Burma. I am not surprised by the lack of progress by the United Nations in facilitating talks between the military thugs in Rangoon and Daw Aung San Suu Kyi. U.N. Special Envoy Razali Ismael's visit earlier this month was abruptly canceled, and while he returned to Rangoon only this week, we should not kid ourselves over the intention of the State Peace and Development Council to maintain power at all costs.

This is a regime that should be on the axis of evil list, alongside Iraq, Iran, and North Korea, and it may be time to increase pressure on the junta through a ban on all imports to the United States. I know the administration is keen on conducting HIV/AIDS programs in Burma, but I would strongly counsel that the centerpiece of such efforts be regular and ongoing consultation with the National League for Democracy and Aung San Suu Kyi. There is only one hope in that country, and she is under house arrest in Rangoon.

I have a number of other issues including aid to Afghanistan, Ukraine, and Colombia that I will save for later, and thank you again so much for being here this morning. We look forward to hearing from you.

[The statement follows:]

PREPARED STATEMENT OF SENATOR MITCH MCCONNELL

Welcome, Mr. Secretary. Let me begin my remarks this morning by expressing my support for the President's \$16.1 billion foreign operations request for fiscal year 2003.

While Congress will undoubtedly amend the request—as is our prerogative and as we do every year—the proposed \$783 million increase over last year's enacted level reflects the growing conventional wisdom that foreign aid is an important weapon in our arsenal against terrorism.

You also have my support for the \$1.3 billion foreign operations request contained in the emergency supplemental. Although these funds are targeted toward countering terrorism, Israel was not included in the request. A convincing case can be made that circumstances in the Middle East have drastically changed since the request was submitted to Congress last month and that the issue of additional assistance to Israel should be revisited.

We had the opportunity to discuss developments in the Middle East at yesterday's breakfast and we all recognize the complexities of the challenges—from ending homicide bombings to the intractable issue of the right of return for Palestinian refugees. You are the right man to walk point on this issue. But understand that frustration with the PLO Chairman Yasser Arafat's leadership failure runs high in Washington.

As I said when I introduced the "Arafat Accountability Act" last week, the violence-prone PLO Chairman is the weakest link in securing a ceasefire and moving forward on a political settlement. We should expect that the Israeli military will be bivouacked outside Arafat's compound in Ramallah for as long as it takes to secure meaningful commitments that bring to a conclusive end the ongoing terrorist attacks against the Israeli people. It is wholly unacceptable for Arafat to talk peace in English and practice terror in Arabic.

To return to the fiscal year 2003 budget request, the Administration proposes a \$129 million cut from Eastern Europe. The SEED account provides critical assistance to such troubled spots as Serbia and Macedonia, countries that are far from

graduating to developed-nation status. These cuts may have unintended consequences, such as retarding the region's economic and political development. This may be a case of paying for it now—or really paying for it later.

Similarly, the \$29 million cut to the Independent States of the former Soviet Union is troubling. I recognize that some of the pain is offset in the supplemental's \$155 million request for Uzbekistan, Tajikistan, Kazakhstan, the Krygyz Republic, and Georgia—but other countries, particularly Armenia, are not provided with sufficient assistance that is critical to their own development and our war against terrorism.

To remain in the Caucasus for a brief moment, the lack of progress in ongoing negotiations over the Nagorno-Karabakh conflict is dismaying, particularly after heightened expectations following last year's meetings in Key West. Given elections in Azerbaijan next year, I do not hold any false expectations that we will see major progress in the coming months. We should be aggressive in securing confidence building measures, no matter how small or seemingly insignificant.

Let me close with a few comments on the situation in Burma. I am not surprised by the lack of progress by the United Nations in facilitating talks between the military thugs in Rangoon and Aung San Suu Kyi. U.N. Special Envoy Razali Ismail's visit earlier this month was abruptly cancelled, and while he returned to Rangoon only this week, we should not kid ourselves over the intentions of the State Peace and Development Council to maintain power at all costs.

This is a regime that should be on the "axis of evil" list along side Iraq, Iran, and North Korea, and it may be time to increase pressure on the junta through a ban on all imports to the United States.

I know the Administration is keen on conducting HIV/AIDS programs in Burma, but I would strongly counsel that the centerpiece for such efforts be regular and ongoing consultation with the National League for Democracy. There is one hope for that country—and she is under house arrest in Rangoon.

I have a number of other issues—including aid to Afghanistan, Ukraine, and Colombia—that I intend to address later in the hearing.

Senator LEAHY. Thank you, Senator McConnell. We will put all statements of Senators in the record, and Mr. Secretary, it is your microphone.

SUMMARY STATEMENT OF HON. COLIN L. POWELL

Secretary POWELL. Thank you very much, Mr. Chairman. It is a great pleasure to be back before the committee, and I thank you for your expressions of support, and I do have a prepared statement that I would submit for the record. I just have a brief opening statement and I will then be ready for your questions.

Before beginning my opening statement, let me just respond to the comments that you made earlier, Mr. Chairman, and I know these are comments on everybody's mind, with respect to the situation in the Middle East. We had a chance to talk about it yesterday morning, and I am sure in the course of our questioning there will be an opportunity to say more about the situation in the Middle East. I have to take some exception to your comment that the U.S. administration, President Bush's administration, blundered badly and that we stayed away and were preoccupied by other matters. I do not think that is an accurate portrayal.

Immediately upon taking office last year, we became engaged with Senator George Mitchell, your colleague from past days, and encouraged him to remain engaged with the work he was doing with the Mitchell Committee. He did. We encouraged the Israelis to participate with Senator Mitchell's group and they did, and we came out with a very fine report that gave us a blueprint of a way to move forward. We pressed hard to get both sides to enter into that blueprint plan, and unfortunately we were not successful, but it was not because we were not trying. We were not successful and

they were not successful. The failure was theirs, not ours. We could not get the violence down.

We tried again with the Tenet work plan, and the Tenet work plan would have provided a way in to Mitchell, but we could not get it started again, once again because of violence. We sided with, frankly, the Israeli side here by saying that you had to have security, you had to have some confidence that you are not going to have your citizens blown up by suicide bombs or other kinds of terrorist activities, and that Prime Minister Sharon had been elected to office on the basis of his commitment to provide security to the Israeli people. We understood that, and we worked with both sides trying to get the violence down.

President Bush was the first President of the United States to stand before an international forum, as he did at the United Nations last fall, and call for the creation of a Palestinian State, and he gave it a name. He called it Palestine, the first time a President has done that, and he did it because he wanted to say to the Palestinian people that the United States has a vision for you.

We will always be Israel's closest friend. We have been there from the very beginning. We will always be there for Israel. But at the same time, we recognize that a way has to be found for these two peoples to live side by side in peace behind secured, recognizable borders, and develop relations between themselves that do not come out of the barrel of a gun, but come out of economic development, come out of educating young people, come out of giving people hope and jobs. The President is committed to that vision. He repeated that vision in his April 4 speech before sending me off to the Middle East. I also captured that vision in my Louisville speech of last year.

So we have been deeply engaged in the work of finding a way forward on the basis of security, on the basis of a political solution, on the basis of economic and humanitarian relief. Now the President has reaffirmed his commitment to that process, first by sending me into the middle of a difficult situation. We can talk about the trip that I took and what might have been achieved, and what more we would like to have seen achieved that was not achieved, but he is engaged. I am engaged. The reason I was a few moments late coming up this morning is that I was with the President in the situation room going over today's events as well as what we are going to be doing in the future.

Senator LEAHY. By Senate standards you are a model of punctuality, let me say.

Secretary POWELL. Well, if you had a driver as good as mine, and if you closed your eyes going through Washington traffic, you could be anywhere on time, as I did this morning.

And so, Mr. Chairman, I assure you we will be engaged as a close, dear friend of Israel, but also as a friend to the Palestinian people, because they need peace, they need security, they need to find a place in the world. We are committed to that proposition as well, and I am sure we can expand on these few brief remarks when we get into questions and answers.

But let me turn now to my shortened statement. Mr. Chairman, you may recall that when I was up here last year, I told you how important I considered relations with Congress, that I felt that I

had an obligation as Secretary of State to be as open and forthcoming and as accessible to every committee before which I appear, and the Congress as a whole. It is part of my responsibility to work closely, to let you know what I am doing in the name of the American people to make sure that the State Department is well-organized, well-led, a place with high morale, a place with a sense of purpose, a place where the people are proud to be serving in this administration and serving the American people in the accomplishment of their foreign policy.

You may also remember that I pointed out last year that I was not only the foreign policy advisor to the President, but the chief executive officer of a very large organization, and wearing that CEO hat I want to tell you that we have made solid advances over the past year: advances in hiring; bringing people into the Department; increasing the number of people who want to be a part of the State Department team; bringing state-of-the-art information and technology to the Department; streamlining our overseas build-ings operations, and making our buildings more secure for our people to work in confidence and comfort.

Morale is high at the Department, and for this I think I owe a debt of gratitude, and all of my employees owe a debt of gratitude to the Congress for what you have done to help us develop this momentum. We are bringing the organization and conduct of America's foreign policy into the 21st Century, and I want to thank the members of the committee for the support that you have provided.

Since that heart-rending day in September, when the terrorists struck in New York, Virginia, and Pennsylvania, we have seen why the conduct of foreign policy is so important. We have had remarkable success over the past 7 months in our war on terrorism, especially in Afghanistan, and we are seeing progress now in the Philippines and Yemen and elsewhere as a result of our working with governments around the world who are committed to the campaign against terrorism. Behind the courageous men and women of our Armed Forces, behind the stepped-up law enforcement efforts, and behind the increased scrutiny of an action against terrorist financial networks, there has been the quiet, steady force of diplomacy by thousands of Americans around the world, working in our missions, who take their job with utmost seriousness and pursue it with diligence.

As a result of their efforts, we have reshaped a good part of South Asia, a new United States-Pakistan relationship, a reinvigorated United States-India relationship, a new interim authority in Kabul, and the Taliban and the terrorists gone, dead, in jail, or on the run.

We are also forming important new relations with our friends in Central Asia, and helping friends and allies fight the scourge of terrorism from the marble-floored banks of Europe to the forests and gorges of Georgia.

In his second visit to the Department last year, President Bush told us that despite the great tragedy of September 11, we could see opportunities through our tears and, at his direction, the State Department has been moving briskly ever since, making as much as possible of those opportunities.

Over the past year, Mr. Chairman, I believe the broader tapestry of our foreign policy has become clear. It is to encourage the spread of democracy and market economies, to lift up countries that want to be part of that expansion, and to bring more governments to the understanding that the power of the individual is the power that counts. When evil appears to threaten this progress, America will confront that evil, call it what it is, and defeat it, as we are doing in the war on terrorism.

And as you well know, Mr. Chairman, we cannot do any of this, we cannot conduct an effective foreign policy or fight terrorism without the necessary resources. The President's fiscal year 2003 request for foreign operations is a little over \$16.1 billion. These dollars will support the continuing war on terrorism and the work we are doing in Colombia and the Andean region at large.

Moreover, these dollars will help support our efforts to help combat HIV/AIDS and other infectious diseases, our essential development programs in Africa, the important work of the Peace Corps, and scaling up the work of the Peace Corps and the size of the Peace Corps, and will also make possible our plan to clear arrearages at the multilateral development banks, including the global environment facility.

Mr. Chairman, to fight terrorism as well as alleviate the conditions that fuel this kind of activity, violent terrorism, we are requesting an estimated \$5 billion. In addition to the initiatives outlined in our budget request for the State Department and related agencies, this funding includes \$3.6 billion for economic and security assistance, military equipment and training for the frontline states and for our other partners in the war on terrorism. As you noted, Senator McConnell, Israel is not included in this, but I take your point that this is something we should look at as we move forward.

These dollars also include \$3.4 billion out of the \$3.6 billion from foreign operations accounts such as the economic support fund, international military education and training, foreign military financing, and the Freedom Support Act, \$88 million for programs in Russia and other States of the former Soviet Union to reduce the availability to terrorists of weapons of mass destruction.

Our ongoing programs engage former weapons scientists now participating in peaceful research, and help in this way to prevent the spread of the materials expertise required to build such weapons.

A few programs of note: \$69 million for counterterrorism engagement programs, training, and equipment to help other countries fight global terror, thereby strengthening, in turn, our own national security; \$50 million to support the International Atomic Energy Agency in activities designed to counter nuclear terrorism and implement strengthened safeguards; and \$15 million to allow us to respond quickly and effectively to unanticipated or unusually difficult nonproliferation projects or opportunities; and \$4 million for the Treasury Department's Office of Technical Assistance to provide training and assistance and other expertise to foreign finance officers to halt terrorist financing.

Mr. Chairman, in the 2003 fiscal year budget request, there is approximately \$140 million available for Afghanistan, including re-

patriation of refugees, food aid, demining, and transition assistance. I know that President Bush, the Congress, and the American people recognize that rebuilding Afghanistan will require additional resources, and that our support must be and will be a multiyear effort. Moreover, I know we will need a lot of help from the international community.

At the Virginia Military Institute last week, President Bush made very clear what he wants to do for Afghanistan. The President told his audience of eager cadets that one of their own, George C. Marshall, helped ensure that a war-ravaged Europe and Japan would successfully recover following World War II. Now, today, Europe and Japan are helping America in rebuilding Afghanistan.

The President said that by helping to rebuild Afghanistan that is free from evil, and is a better place in which to live, we are working in the best traditions of George Marshall, and so we are. It will be a long, hard road. We know it, but like General Marshall, we also know that we must do it, and the international community knows that it must help.

Mr. Chairman, we are requesting \$731 million in 2003 for the multiyear counterdrug initiative in Colombia and other Andean countries that are the source of cocaine sold on America's streets. This assistance to Andean governments will support drug eradication, interdiction, economic development, and development of government institutions. In addition, the Colombians will be able to stand up a second counterdrug brigade. Assisting efforts to destroy local coca crops and processing labs there increases the effectiveness of U.S. law enforcement here.

In addition to this counterdrug effort, Mr. Chairman, we are requesting \$98 million in FMF to help the Colombian Government protect the vital Caño Limon oil pipeline from the same foreign terrorist organizations that are involved in illicit drugs, the FARC and the ELN. Their attacks on that pipeline shut it down 240 days in 2001, costing Colombia revenue and disrupting its economy, and causing serious environmental damage.

This money will help train and equip the Colombian armed forces to protect the pipeline. These funds begin to apply the President's decision to shift from a strictly counterdrug effort to a more broadly based effort targeted at helping Colombia fight the terrorists in its midst, as well as the drugs.

In fiscal year 2003, we are also requesting \$1.4 billion for USAID global health programs. Of this amount, we are requesting \$540 million for bilateral HIV/AIDS prevention, care, and treatment activities, and \$100 million for the global fund to fight AIDS, tuberculosis, and malaria. As you know, another \$100 million is in the HHS budget, so there will be a total of \$200 million on top of the \$300 million that was provided over the last year or so for a total of \$500 million.

All of this funding will increase the already significant contribution to combatting the AIDS pandemic, and maintain our position as the single largest bilateral donor. I should also add that the overall U.S. Government request for international HIV/AIDS programs exceeds \$1 billion, including the \$200 million I just referenced for the global fund.

I might digress and also mention, Mr. Chairman, that I just received a report from my staff that the trust fund that we created for the HIV global trust fund activities is coming along very well, and we have now reached a point where we are about to award contracts. I think this is quite an achievement under the leadership of the Secretary-General of the United Nations and others working with him, that we have gone from inception to starting to release funds that will help with the problem in a little less than a year's time.

Mr. Chairman, I know that you and all of the subcommittee members heard the President's remarks in his State of the Union address with respect to the USA Freedom Corps. You heard, as well, his objective to renew the promise of the Peace Corps, and to double the number of volunteers in the corps in the next 5 years. We have put \$320 million for the Peace Corps in the 2003 budget request. This is an increase of over \$42 million from our fiscal year 2002 level.

This increase will allow us to begin scaling up to the level the President has directed us to, and we intend that the Peace Corps will open programs in eight countries, including the reestablishment of currently suspended posts, and place over 1,200 additional volunteers worldwide. By the end of 2003, the Peace Corps will have more than 8,000 volunteers on the ground.

Finally, Mr. Chairman, the 2003 request includes an initiative to pay one-third of the amount that the United States owes the multilateral development banks for our scheduled annual commitments. With U.S. arrears currently totalling \$533 million, the request would provide \$178 million to pay one-third of our total arrears during this fiscal year. These banks lend to and invest in developing countries, promoting economic growth and poverty reduction and providing environmental benefits. We need to support them.

Mr. Chairman, in addition to what I have given you with respect to fiscal year 2003, I want to provide you with the main priorities of our supplemental request for 2002, but first let me tell you how grateful we are down at the Department for the efforts of this subcommittee and the House subcommittee to get us the \$1.5 billion in crucial emergency response fund foreign operations that we needed to address the immediate post September 11 requirements, but that was just a start.

We are asking for a \$1.6 billion of supplemental funding for fiscal year 2002. This amount includes \$322 million for the Department itself. These dollars will address emerging building and operating requirements that have arisen as a result of the September 11 terrorist attacks, including reopening our embassy in Kabul, reestablishing an official presence in Dushanbe, Tajikistan, and increasing security and personnel protection at home and abroad. This will leave about \$1.3 billion for foreign operations.

These funds, added to the request we have made for 2003 for the frontline States are primarily to deter and prevent acts of international terrorism, provide vitally needed military equipment training and economic assistance to our friends and allies, to expand respect for human rights and judicial reform in the frontline States, provide a significant and immediate impact on displaced persons in the frontline States, support civilian reintegration of

former combatants and establish law enforcement and criminal justice systems, and provide economic and democracy assistance, including help with political development, health care, irrigation and water management, media development, community-building and infrastructure improvement, and economic and civil society reform.

In sum, these supplemental dollars for foreign operations in 2002 will be directed at draining the swamp in which terrorists survive, and ensuring the long-term success of Operation Enduring Freedom. Mr. Chairman, I told the committee last year the conduct of the Nation's foreign policy suffered significantly from a lack of resources over the past decade. I have set both my CEO hat and my foreign policy hat to correct that situation, but I cannot do it without your help, with the help of your colleagues in the Senate and across the Capitol in the House.

I ask for your important support in full committee and in the Senate as a whole, both for the \$8.1 billion we are requesting for the Department and its related agencies, and for the \$16.1 billion we are requesting for foreign operations. In addition, I ask for your support with a supplemental request for 2002. With your help and the help of the whole Congress, we will continue the progress we have begun.

Thank you very much, Mr. Chairman. I am now pleased to take your questions.

[The statement follows:]

PREPARED STATEMENT OF HON. COLIN L. POWELL

Mr. Chairman, members of the subcommittee, I am pleased to appear before you to testify in support of President Bush's budget request for fiscal year 2003.

Last May, Mr. Chairman, you may recall that in my opening remarks I told you how important I consider interchanges such as this with the Congress. Our breakfast together at the State Department yesterday reinforced my appreciation for such exchanges.

I believe it is an important part of my responsibilities to work closely with the Congress and with all the various committees. This will be my eighth budget hearing this year, but I consider this kind of interchange with the Congress as important as any other duty that I have.

You may also remember that last year I told you that I believe I have responsibilities as CEO of the State Department as well as those of being principal foreign policy advisor to the President.

Wearing that hat, my CEO hat, I want to tell you that we have made solid advances over the past year—advances in hiring, in bringing state of the art information technology to the Department, and in streamlining our overseas buildings process and in making our buildings more secure for our people.

Morale is high at the Department and we owe this Congress a debt of gratitude for what it has done to help us develop this momentum. We are bringing the organization and conduct of America's foreign policy into the 21st century, and I want to thank you, Mr. Chairman, and all the members of this subcommittee, for giving us the support to begin this process.

Since that heart-rending day in September when the terrorists struck in New York, Virginia, and Pennsylvania, we have seen why the conduct of our foreign policy is so important.

We have had remarkable success over the past seven months in the war on terrorism, especially in Afghanistan, and we are beginning to see some success in the Philippines, in Yemen, and elsewhere. And behind the courageous men and women of our armed forces, behind the stepped up law enforcement efforts, and behind the increased scrutiny of and action against terrorist financial networks, has been the quiet, steady course of diplomacy.

As a result, we have reshaped a good part of South Asia—a new U.S.-Pakistan relationship, a reinvigorated U.S.-India relationship, a new Interim Authority in Kabul, and the Taliban and the terrorists dead, in jail, or on the run. We are also forming important new relationships with the nations of Central Asia and helping

friends and allies fight the scourge of terrorism from the marble-floored banks of Europe to the forested-gorges of Georgia.

In his second visit to the Department last year, President Bush told us that despite the great tragedy of September 11, we could see opportunities through our tears—and at his direction, the Department of State has been at flank speed ever since, making as much as possible of those opportunities.

Over the past year, Mr. Chairman, I believe the broader tapestry of our foreign policy has become clear: to encourage the spread of democracy and market economies, to lift up countries that want to be part of that expansion, and to bring more governments to the understanding that the power of the individual is the power that counts. And when evil appears to threaten this progress, America will confront that evil and defeat it—as we are doing in the war on terrorism.

In weaving this tapestry, we have achieved several successes:

With regard to Russia, President Bush has defied some of our critics and structured a very strong relationship. The meetings that he had with President Putin and the dialogue that has taken place between Russian Foreign Minister Ivanov and me and between Secretary of Defense Rumsfeld and his counterpart, and at a variety of other levels, have positioned the United States for a strengthened relationship with the land of eleven time zones.

The way that Russia responded to the events of September 11 was reflective of this positive relationship. Russia has been a key member of the antiterrorist coalition. It has played a crucial role in our success in Afghanistan, by providing intelligence, bolstering the Northern Alliance, and assisting our entry into Central Asia. As a result, we have seriously eroded the capabilities of a terrorist network that posed a direct threat to both of our countries. The job is not complete yet—as our continuing operations in Afghanistan and our just-beginning Train and Equip operations in Georgia clearly demonstrate—but we are making headway.

Similarly, the way we and the Russians agreed to disagree on the ABM Treaty reflects the intense dialogue we have had over the last thirteen months, a dialogue in which we told the Russians where we were headed and we made clear to them that we were serious and that nothing would deter us. And we asked them if there was a way that we could do what we had to do together, or a way that they could accept what we had to do in light of the threat to both of our countries from ballistic missiles. At the end of the day, we agreed to disagree and we notified Russia that we were going to withdraw from the ABM Treaty. I notified FM Ivanov—we talked about our plans for two days. President Bush called President Putin. Then the two presidents arranged the way we would make our different announcements. And the world did not end. An arms race did not break out. There is no crisis in Russia-U.S. relations. In fact, our relations are very good. Both presidents pledged to reduce further the number of their offensive nuclear weapons and we have been hard at work on an agreement to codify these mutual commitments. There is every possibility that we will conclude such an agreement next month in Moscow. This is all part of the new strategic framework with Russia.

We even managed to come to an agreement on how we are going to work through NATO. This new decision-making relationship, which we are referring to as the NATO-Russia Council, or “NATO at 20,” will provide a mechanism for consultations, cooperation, joint decisions and joint action. It will offer Russia the opportunity to participate in shaping cooperative projects in areas such as counterterrorism, civil emergency preparedness, and joint training and exercises. Our aim is to have this arrangement in place for the Reykjavik ministerial next month. Moreover, NATO’s Secretary General, Lord Robertson, announced last week that President Putin will be invited to Italy for a NATO-Russia Summit on May 28.

Mr. Chairman, as we head for the NATO Summit in Prague in November, where we will consider a new round of NATO enlargement, I think we will find the environment a great deal calmer than we might have expected.

I believe the way we handled the war on terrorism, the ABM Treaty, nuclear reductions, and NATO is reflective of the way we will be working together with Russia in the future. Building on the progress we have already made will require energy, good will, and creativity on both sides as we seek to resolve some of the tough issues on our agenda.

We have not forgotten about abuses of human rights in Chechnya or Moscow’s WMD- and missile-related cooperation with Iran. Neither have we neglected to consider what the situation in Afghanistan has made plain for all to see; that is, how do we achieve a more stable security situation in Central Asia? We know that this is something we cannot do without the Russians and something that increasingly they realize can’t be done without us, and without the full participation of the countries in the region. We are working these issues as well.

In fact, the way we are approaching Central Asia is symbolic of the way we are approaching the relationship as a whole and of the growing trust between our two countries. We are tackling issues that used to be problems between us and turning them into opportunities for more cooperation. We have found in the last few weeks, for example, that we could even deal with chickens.

And in Madrid, when the “Quartet” met two weeks ago—the EU, Russia, the United Nations, and the United States—my talks with Russian FM Ivanov were especially helpful in framing the message the Quartet crafted with respect to the crisis in the Middle East. In Madrid also, FM Ivanov and I agreed to meet early next month here in Washington to continue our discussions on the new strategic framework. And President Bush will visit Moscow and St. Petersburg later in May.

Such a collegial approach to our relationship does not mean that differences have vanished or that tough negotiations are a thing of the past. What it means is that we believe there are no insurmountable obstacles to building on the improved relationship we have already constructed.

It will take time. But we are on the road to a vastly changed relationship with Russia. That can only be for the good—for America and the world.

With that in mind, Mr. Chairman, and in the spirit of closer United States-Russia cooperation, and in light of Russia’s continued compliance with Jackson-Vanik legislation, the President hopes Congress will lift the application of this legislation to Russia before the Moscow-St. Petersburg Summit in late May.

Mr. Chairman, we have also made significant progress in our relationship with China.

A candid, constructive, and cooperative relationship is what we are building with China. Candid where we disagree; constructive where we can see some daylight; and cooperative where we have common regional or global interests.

These are the principles President Bush took with him to Beijing at the end of February this year. After meeting with Prime Minister Koizumi in Tokyo and with President Kim in Seoul, the President spent a day and a half in Beijing and met with President Jiang Zemin, as well as Premier Zhu Rongji. These meetings solidified further what has become a markedly improved relationship—a relationship that will see China’s Vice President, Hu Jintao, visit Washington at the end of this month through the beginning of next month, at the invitation of Vice President Cheney. In less than a year, we moved from what was a potentially volatile situation in April of last year involving our EP-3 reconnaissance aircraft which was forced to land on China’s Hainan Island after a PLA fighter aircraft collided with it, to a very successful meeting in Shanghai in October between President Jiang Zemin and President Bush and an APEC Conference, hosted by China, that was equally successful.

There are certain shared interests that we have with China and we have emphasized those interests. They are regional and global interests, such as China’s accession to WTO, stability on the Korean Peninsula, and combating the scourge of HIV/AIDS. On such issues we can talk and we can work out ways to cooperate.

There are other interests where we decidedly do not see eye-to-eye, such as arms sales to Taiwan, human rights, religious freedom, and non-proliferation. On such issues we can have a dialogue and try to make measurable progress.

But we do not want the interests where we differ to constrain us from pursuing those where we share common goals. And that is the basis upon which our relations are going rather smoothly at present. That, and counterterrorism.

President Jiang Zemin was one of the first world leaders to call President Bush and offer his sorrow and condolences for the tragic events of September 11. And in the over seven months since that day, China has helped in the war against terrorism. Beijing has also helped in the reconstruction of Afghanistan and we hope will help even more in the future.

Moreover, China has played a constructive role in helping us manage the very dangerous situation in South Asia between India and Pakistan. When I could call China’s Foreign Minister Tang and have a good discussion, making sure our policies were known and understood, it made for a more reasoned approach to what was—and as the snows melt may continue to be—a volatile situation. As a result, China has supported the approach that the rest of the international community has taken. Beijing has not tried to be a spoiler but instead tried to help us alleviate tensions and convince the two parties to scale down their dangerous confrontation which, hopefully, is happening. We will continue to work with Beijing as the situation evolves.

All of this cooperation came as a result of our careful efforts to build the relationship over the months since the EP-3 incident. We never walked away from our commitment to human rights, non-proliferation, or religious freedom; and we never walked away from the position that we don’t think the Chinese political system is

the right one for the 21st century. And we continued to tell the Chinese that if their economic development continues apace and the Chinese people see the benefits of being part of a world that rests on the rule of law, we can continue to work together constructively.

As we improved our relationship with China, Mr. Chairman, we also reinvigorated our bilateral alliances with Japan, The Republic of Korea, and Australia. Nowhere has this been more visible than in the war on terrorism—where cooperation has been solid and helpful.

Prime Minister Koizumi immediately offered Japan's strong support, within the confines of its constitution. And he is working to enhance Japan's capability to contribute to such global and regional actions in the future. President Bush's dialogue with the Prime Minister has been warm, engaging, and productive. Always the linchpin of our security strategy in East Asia, the United States-Japan Security Alliance is now as strong a bond between our two countries as it has been in the half-century of its existence. Our shared interests, values, and concerns, plus the dictates of regional security, make it imperative that we sustain this renewed vigor in our key Pacific alliance. And we will.

With respect to the Peninsula, our alliance with the Republic of Korea (ROK) has also been strengthened by Korea's strong response to the war on terrorism and by our careful analysis of and consultations on where we needed to take the dialogue with the North. President Bush has made it very clear that we are dissatisfied with the actions of North Korea, in particular that the North continues to develop and sell missiles that could carry weapons of mass destruction. But we have also made clear that both we and the ROK are ready to resume dialogue with Pyongyang, on this or any other matter, at any time the North Koreans decide to come back to the table.

In that regard, we welcome the results of ROK Special Advisor Lim Dong-won's recent talks with North Korean leaders in Pyongyang, which included agreements on resuming dialogue and cooperation between the two Koreas. We are also pleased to note that North Korea signaled its willingness to resume dialogue with the United States. We would welcome such a resumption of talks; however, we have not yet received a direct response from the North Koreans.

Further south, the Australians have been exceptional in their efforts to support the war on terrorism. Heavily committed in East Timor already, Australia nonetheless offered its help immediately and we have been grateful for that help, including the great Australian soldiers who have helped us on the ground in Afghanistan. The people of Australia are indeed some of America's truest friends.

So, Mr. Chairman, as I look across the Pacific to East Asia I see a much-improved security scene and I believe that President Bush deserves the credit for this success.

Another foreign policy success is the improvement we have achieved in our relations with Europe. In waging war together on terrorism, our cooperation has grown stronger. NATO invoked Article 5 for the first time ever on September 12. Since then, the European Union has moved swiftly to round up terrorists, close down terrorist financing networks, and improve law enforcement and aviation security cooperation.

Moreover, President Bush has made clear that even as we fight the war on terrorism, we will not be deterred from achieving the goal we share with Europeans of a Europe whole, free, and at peace. We continue to work toward this goal with our Allies and Partners in Europe.

In the Balkans, we are pursuing this goal by working with our European allies and partners to advance three inter-related objectives: promoting integration into Euro-Atlantic institutions, with the EU and NATO increasingly serving as the prime movers for engagement and reform; hastening the day that peace is self-sustaining and that we and our allies can withdraw our military forces; and ensuring that the region is not a safe haven or way station for global terrorism. The EU member nations are already supplying the majority of financial resources and military forces. Our success in preventing civil war in Macedonia while avoiding another long-term commitment of NATO forces was based on the type of close cooperation among NATO, the EU, and the United States that will remain essential to our future success. We need to finish the job in the Balkans—and we will. We went in together with the Europeans, and we will come out together.

I also believe we have been successful in bringing the Europeans to a calmer level of concern with respect to what was being labeled by many in Europe "unbridled U.S. unilateralism". Notwithstanding the recent reaction in parts of Europe to President Bush's State of the Union Address, to U.S. actions on steel imports, and to undocumented and even at times egregiously wrong press reports about imminent U.S. military action against Iraq, I still believe this to be true. There was significant concern among the Europeans earlier last year that because we took some unilateral

positions of principle for us that somehow the United States was going off on its own without a care for the rest of the world. Early in the Administration, this was particularly true with respect to the Kyoto Protocol. So we set out immediately to correct this misperception. Beginning with President Bush's speech in Warsaw, his participation in the G-8 meetings and the European Union summit, our extensive consultations with respect to the new strategic framework with Russia, and culminating in the brilliant way in which the President pulled together the coalition against terrorism, I believe that we demonstrated to the world that we can be decisively cooperative when it serves our interests and the interests of the world.

But we have also demonstrated that when it is a matter of principle, we will stand on that principle. In his first year in office President Bush has shown the international community who he is and what his Administration is all about. That is an important accomplishment—and one that is appreciated now everywhere I go. People know where America is coming from and do not have to doubt our resolve or our purpose. They may not always agree with us, but they have no doubt about our policy or our position. We want to ensure that this policy clarity and this firmness of purpose continue to characterize our foreign policy.

Let me just note that this sort of principled approach characterizes our determined effort to reduce the threat from weapons of mass destruction—an effort well underway before the tragic events of September 11 added even greater urgency. As President Bush said at VMI last week, “. . . the civilized world faces a grave threat from weapons of mass destruction.” We and the Russians will reduce our own deployed nuclear weapons substantially. In the meantime, we are using a comprehensive approach, along with our friends and allies, to tackle WMD elsewhere, an approach that includes export controls, non-proliferation, arms control, missile defenses, and counter-proliferation.

There are terrorists in the world who would like nothing better than to get their hands on and use nuclear, chemical, biological, or radiological weapons. So there is a definite link between terrorism and WMD. Not to recognize that link would be foolhardy to the extreme.

In fact, terrorism, Mr. Chairman, is another example of this Administration's principled approach. Anyone who adopts for political purposes the intentional killing of innocent men, women, and children as they try to go about their everyday lives is going to be opposed by America. That is that. There should be no doubt about this commitment or in the understanding of this commitment. All people of every faith and every nation should stand unalterably opposed to such killing.

Such principled approaches as our positions on the Kyoto Protocol or on missile defense do not equate to no cooperation. Quite the contrary. We know that cooperation is often essential to get things done. On our efforts to lift countries out of poverty, for example, and to create conditions in which trade and investment flourish, we need to cooperate.

Last month, we had a good meeting in Monterrey, Mexico on financing development. This summer in Johannesburg, we will participate in the World Summit on Sustainable Development. There we will have an opportunity to address such issues as good governance; protection of our oceans, fisheries, and forests; and how best to narrow the gap between the rich countries and the poor countries of the world.

And in June, the United States will participate in the World Food Summit conference in Rome. At the conference, we intend to renew our commitment to cutting world hunger in half by 2015. Progress toward this goal since the Summit in 1996 has been positive only in China. In much of the rest of the world, hunger has actually increased. We must do better.

And Mr. Chairman, I know that you and the subcommittee members are familiar with President Bush's new Millennium Challenge Account, which he announced in Washington on March 14.

With this initiative, the President has made combating poverty a foreign policy priority. At the same time, however, he has recognized that economic development assistance can be successful only if it is linked to sound policies in the developing countries. In sound policy environments, aid attracts private investment by two to one; that is, every dollar of aid attracts two dollars of private capital. In countries where poor public policy dominates aid can actually harm the very citizens it was meant to help.

The funds we authorize and appropriate for this account will be distributed to countries that demonstrate a strong commitment toward: (1) good governance; (2) the health and education of their people; and (3) sound economic policies that foster enterprise and entrepreneurship.

We envision that resources will begin to be available in fiscal year 2004, ramping up to \$5 billion in fiscal year 2006. Then, \$5 billion every year thereafter. These

resources will be separate from the current budget trajectory of our other aid dollars, which we expect to continue on their own path.

With these resources applied in this careful way, we expect to fertilize the ultimate success of more and more countries making a determined and transparent effort to join the globalized world.

Mr. Chairman, also among our foreign policy successes over the last year is our new and more effective approach to Africa—the impact of which was most dramatically demonstrated in the WTO deliberations in Doha last November that led to the launching of a new trade round. The United States found its positions in those deliberations being strongly supported by the developing countries, most notably those from Africa. The Congress laid the foundation for our success with the African Growth and Opportunity Act—an historic piece of legislation with respect to the struggling economies in Africa.

In the first year of implementation of this Act, we have seen substantial increases in trade with several countries—South Africa by 6 percent, Kenya by 17 percent, and Lesotho by 51 percent for 2001 over 2000. Likewise, we are very pleased with the excellent success of the first U.S.-SubSaharan Africa Trade and Economic Cooperation Forum which was held last October.

A large part of our approach to Africa and to other developing regions and countries as well, will be directly in line with what we have prescribed for the Millennium Challenge Account, i.e., a renewed and strengthened concern with progress toward good governance as a prerequisite for economic development assistance. Moreover, where conditions are favorable, our economic development assistance in Africa will emphasize the vigorous promotion of agriculture. Agriculture is the backbone of Africa's economies and must be revitalized to reduce hunger and to lift the rural majority out of poverty.

In addition, we will emphasize fighting corruption and President Bush's new initiative on basic education. Moreover, we want to emphasize methods that directly empower individuals—methods such as micro-lending, a superb vehicle for increasing the economic participation and security of the working poor. The people of Africa in particular know that in many cases their governments do not deliver the health care, transportation and communication networks, education and training, and financial investment needed to create 21st century economies. They know that this must change if there is to be hope of economic success—of job creation, private investment, stable currencies, and economic growth.

We also know and more and more of Africa's people are coming to know that none of this economic success is possible if we do not meet the challenge of HIV/AIDS. That is why I am pleased to report that pledges to the Global Fund to Fight AIDS, Tuberculosis, and Malaria now exceed \$1.7 billion and continue to grow. The Fund is meeting at Columbia University in New York this week and is expected soon to announce grants to partnerships in affected countries.

We want this Global Fund to complement national, bilateral, and other international efforts to fight these dreaded diseases. Strong congressional support will ensure that the United States remains the leader in this global humanitarian and national security effort.

In our own hemisphere, Mr. Chairman, we have met with considerable success. Highlights have been the President's warm relationship with Mexico's President Fox, the Summit of the Americas in Quebec, and the signing of the Inter-American Democratic Charter in Lima, Peru. Now our focus is to create a Free Trade Area of the Americas—including, as President Bush has described, not only our current negotiations with Chile but also a new effort to explore the concept of a free trade agreement with Central America.

To be sure, there are some dark clouds moving in over Latin America, and one of the darkest looms over Colombia where a combination of narco-terrorism and festering insurgency threatens to derail the progress the Colombians have made in solidifying their democracy.

Our Andean Regional Initiative is aimed at fighting the illicit drugs problem while promoting economic development, human rights, and democratic institutions in Colombia and its Andean neighbors. Intense U.S. support and engagement has been the critical element in our counterdrug successes in Bolivia and Peru and will continue to be critical as we help our regional partners strengthen their societies to confront and eradicate this threat to their own democracies and to America's national security interests.

But, Mr. Chairman, our counterdrug and development efforts in Colombia are not enough. It has become increasingly clear that our goal with respect to Colombia must be to help that democratic nation preserve and strengthen its democracy while ensuring greater respect for basic human rights. An end to the present conflict—

peace—is essential to our accomplishing that goal. We must work with the Colombians to create the conditions where peace is possible.

To that end, we are seeking the necessary authorities to provide enhanced intelligence sharing, additional training, and more equipment—all geared toward a security mission that is broader than the current counterdrug focus. We are not talking about U.S. troops participating in combat operations; we are talking about helping the Colombians secure their state and their democracy. We are talking about helping the Colombians fight terrorism.

President Bush framed the issue in his meeting with President Pastrana last week. The President made his number one priority very clear: “My biggest job now,” he said, “is to defend our security and to help our friends defend their security against terror.”

We have made it clear and will continue to make it clear that the Government of Colombia must also fully commit to this task. No amount of additional U.S. assistance will be sufficient to turn the tide unless Colombia dedicates more of its own resources to this task and commits decisively to a policy of establishing state authority and effective security for its people.

I also want to emphasize that we work with the Colombians to ensure respect for human rights. There is no trade off between our work with Colombians on human rights and elimination of the terrorist threat. Nor are we seeking to change the caps on the number of U.S. military and civilian personnel we can have in Colombia at any given time. Both of these concerns are still very much a part of the pattern of our efforts with this struggling democracy.

Mr. Chairman, a dark cloud seemed recently to pass over Venezuela as well—a cloud that had been building for some time as President Chavez became less and less responsive to growing opposition to his policies, leading to increasing polarization of Venezuelan society. We hope that the most recent tumble of events in that country foretell a President much more cognizant of the demands of democracy. As President Bush said last week, “if there’s lessons to be learned, it’s important that [Chavez] learn them.” The President also said that it is “very important for Chavez to embrace those institutions which are fundamental to democracy.”

The Organization of American States (OAS) agreed on April 18 to help Venezuela regain its democratic footing. We believe there is also a constructive role for our own Congress—to urge the Venezuelan government to welcome OAS engagement and to encourage the opposition to join the national dialogue.

Elsewhere in Latin America, Mr. Chairman, we have begun new initiatives.

President Bush’s Third Border Initiative (TBI) seeks to broaden our engagement with our Caribbean neighbors based on recommendations by the region’s leaders on the areas most critical to their economic and social development. The TBI is centered on economic capacity building and on leveraging public/private partnerships to help meet the region’s pressing needs.

In addition to its economic provisions, the Third Border Initiative includes 20 million dollars for HIV/AIDS education and prevention efforts. This represents a two-fold increase in U.S. HIV/AIDS assistance to the region in just two years.

As you are aware, Mr. Chairman, our ties to the Caribbean region are as much cultural and human as they are economic and political. The countries of the Caribbean attract millions of American visitors every year and the region is our sixth largest export market. Large numbers of Caribbean immigrants have found their way to America, including, I am proud to say, my Jamaican forebearers. Here people from the region have found freedom and opportunity and have added something wonderful to the great American cultural mix. But our primary goal must be to help ensure that the peoples of the Caribbean find new opportunities for work, prosperity and a better life at home.

At the end of the day, it is difficult to exaggerate what we have at stake in our own hemisphere. Political and economic stability in our own neighborhood reduces the scale of illegal immigration, drug trafficking, terrorism, and economic turmoil. It also promotes the expansion of trade and investment. Today, we sell more to Latin America and the Caribbean than to the European Union. Our trade within NAFTA is greater than that with the EU and Japan combined. We sell more to MERCOSUR than to China. And Latin America and the Caribbean is our fastest growing export market. Clearly, the President is right to focus attention on this hemisphere and we will be working hard in the days ahead to make that focus productive, both economically and politically.

In that regard, we have a very positive vision for a future Cuba—a Cuba that is free, with a strong democratic government that is characterized by support for individual civil, political, and economic rights. A Cuba in which people are free to choose their own leaders and to pursue their own dreams. And a Cuba that is a good neighbor to all in the Caribbean and in the hemisphere at large. That such a Cuba can

exist we have never doubted—just look at the contributions Cuban-Americans have made in our own country and you understand immediately what such people are capable of.

Mr. Chairman, set against the past year's foreign policy successes is not just the conflict in Colombia in our own hemisphere, but several challenges elsewhere. In this regard, there is no question that the situation between Israel and the Palestinians is at the top of our list.

I have just returned from the Middle East. I met with key leaders in Morocco, Egypt, Syria, Jordan and Lebanon, as well as with Crown Prince Abdullah of Saudi Arabia—and of course I met with Prime Minister Sharon and Chairman Arafat.

I went to the Middle East because the President asked me to travel to a region in turmoil. Recent events have taken an enormous toll in lives lost, families shattered, economic activity frozen and mounting humanitarian distress.

An additional cause of tension is the ongoing threat posed by attacks by Hezbollah and others across the United Nations' recognized Blue Line. It was for that reason I traveled to Beirut and Damascus to underscore the President's strong message to all parties to exercise restraint.

In my consultations with our international partners during the ten days of my travel, and with our Arab friends and Israelis and Palestinians, I listened carefully and I probed hard. I found broad support for a comprehensive strategy as a way forward.

The Madrid Quartet meeting, which I mentioned earlier, resulted in a strong declaration endorsing this comprehensive approach. In that declaration the United States, the United Nations, the European Union and the Russian Federation were united in this endorsement.

There are three critical elements in this comprehensive strategy: first, security and freedom from terror and violence for Israelis and Palestinians; second, serious and accelerated negotiations to revive hope and lead to a political settlement; and third, economic humanitarian assistance to address the increasingly desperate conditions faced by the Palestinian people.

Confronting and ending terrorism are indispensable steps on the road to peace. In my meetings with Chairman Arafat I made it clear that he and the Palestinian Authority could no longer equivocate. They must decide as the rest of the world has decided that terrorism must end. Chairman Arafat must take that message to his people. He must follow through with instructions to his security forces. He must act to arrest and prosecute terrorists, disrupt terrorist financing, dismantle terrorist infrastructure and stop incitement.

Prime Minister Sharon stated his intention to complete Israel's withdrawal from the areas that it had occupied. He provided me with a time-line for the withdrawal. I stressed to the Prime Minister the urgency of completing withdrawal and was assured of real results in the specified days. I recognized the particular circumstances at the Church of the Nativity in Bethlehem and the Presidential compound in Ramallah, and I emphasized the importance of their urgent non-violent resolution.

Improvement in the security situation, if it is achieved, must be linked to the second point: determined pursuit of a political solution. There can be no peace without security, but there can also be no security without peace. Only a negotiated settlement can resolve the conflict between Israelis and Palestinians. We must find a way to bring together traditional elements such as United Nations Security Council Resolutions 242 and 338, with new initiatives, such as my Louisville speech last November, U.N. Resolution 1397, and the Arab League's endorsement a month ago of the initiative of Saudi Crown Prince Abdullah.

A number of the leaders with whom I spoke during my travel have expressed interest in convening a conference on the Middle East in the near future, a conference with international backing. As they have suggested, its purpose would be to restore hope, reaffirm the urgency of a comprehensive settlement, and resume direct negotiations in order to achieve that comprehensive settlement.

At the same time we explore this initiative and other ideas to address the political issues, the international community must address the dire humanitarian problems as well as the long-term economic needs of the Palestinian people. During my visit to Jerusalem, I was pleased to announce that the United States would contribute an additional \$30 million in support of the United Nations Relief and Works Agency and its programs in providing health, education, relief and social services to Palestinian refugees. This is beyond the \$80 million we already provide annually. We are augmenting this with emergency assistance to deal with the special conditions in Jenin refugee camp—tents and equipment to purify water and prevent the spread of disease.

International donors will meet in Norway later this month to increase assistance to the Palestinian people at this time of exceptional need. Also, international hu-

manitarian and aid agencies must have the freedom and access that they need to do their jobs. So this is the comprehensive approach I believe we must pursue. I left Assistant Secretary of State Bill Burns in the region to follow up on my visit. As circumstances warrant, the President is prepared to send DCI Tenet in the near future, to work with the parties to resume security cooperation between the parties. Mr. Tenet has experience in this from last year—experience in these kinds of organizations and activities—that I think will once again benefit both parties.

Moreover, I plan to return to the region to move ahead on all aspects of our comprehensive approach.

Mr. Chairman, for the Palestinian people and leaders of the Palestinian Authority, the question is whether violence and terrorism can be renounced forever and whether their sights can be set squarely on peace through negotiations.

For the people and leaders of Israel, the question is whether the time has come for a strong, vibrant State of Israel to look beyond the destructive impact of settlements and occupation, both of which must end, consistent with the clear positions taken by President Bush in his April 4 speech. Israelis should look ahead to the promise held out by the region and the world of a comprehensive, lasting peace.

For the Arab peoples and their leaders, the question is whether the promise and vision of Crown Prince Abdullah's initiative can be transformed into a living reality. It is important that artificial barriers between states fall away, and distorted and racist images disappear from the media and from public discourse.

For the people and leaders of the international community, the question is how we can help both sides solve the deep problems they face.

These are the challenges that we all face. President Bush has directed his administration to do what is necessary to stop the violence, encourage efforts toward peace, and restore the economic foundations of the region. Our fervent hope is that Israelis, Palestinians, our Arab friends, and the international community will also rise to this challenge.

Mr. Chairman, with regard to other challenges in this region, Iraq comes next on our list. That country remains a significant threat to the region's stability. We are working at the United Nations and elsewhere to strengthen international controls on Iraq. In the last year, we successfully stopped the free fall of sanctions and began to rebuild United Nations Security Council consensus on Iraq. The UNSC unanimously adopted resolution 1382 in November, committing itself to implement the central element of "smart sanctions" by the end of next month—and I believe we are going to make it.

This central element, or Goods Review List (GRL), identifies materials UNSC members must approve for export to Iraq and ensures continued supervision and control over dual-use goods. Its implementation will effectively lift economic sanctions on purely civilian trade and focus controls on arms, especially WMD. This will further strengthen support for U.N. controls by showing the international community that Saddam Hussein, not the United Nations and not the United States, is responsible for the humanitarian plight of the Iraqi people. We have achieved agreement with the Russians on the substance of the GRL and are now finalizing processes for implementing the list and working on a UNSC Resolution for adopting it.

At the end of the day, we have not ruled out other options with respect to Iraq. We still believe strongly in regime change in Iraq and we look forward to the day when a democratic, representative government at peace with its neighbors leads Iraq to rejoin the family of nations.

With regard to other challenges, we have a long-standing list of grievances with Iran, from concerns about proliferation, to that country's continued sponsorship of terrorism, to Iranian meddling in Afghanistan in a way unhelpful to the Interim Authority in Kabul. Of late, we have been very clear in communicating to Teheran that its support for terrorism must stop and that what is needed in Afghanistan is help, not meddling.

If Iran renounced terrorism, if it supported the Interim Authority, I am convinced that we would be able to talk to Iran, that we would be able to have a reasonable conversation with Iranian leaders. With respect to the situation in Afghanistan, for example, I believe we can demonstrate to them that it is not in their interest to destabilize the government that they helped to create in Bonn. The other issues will be more difficult; but I do believe constructive talks with Iran on Afghanistan are possible.

Mr. Chairman, let me now turn to Afghanistan and the war on terrorism.

In January, I was in Tokyo to join the European Union, Saudi Arabia, and Japan in hosting the Afghan Donor Conference. The conference helped to ensure that a wide range of countries will help the Afghans rebuild their country. The United States pledged almost \$297 million at the conference and others pitched in accord-

ingly. The total pledged at this point is around \$4.5 billion with more than \$1.8 billion for the first year.

But the heavy-lifting with respect to Afghanistan is only just beginning. We have helped the Afghans remove the oppressive Taliban regime from their country. We have destroyed the al-Qaida network in Afghanistan, with American, British, and other troops fighting the remnants as we speak. We have made possible the delivery of humanitarian aid, including massive amounts of food. We have avoided the wholesale starvation that many predicted. Moreover, we have helped the people of Afghanistan establish a multi-ethnic Interim Authority in Kabul, led by Chairman Karzai. One of its ultimate goals is to oversee an agreed process, now begun with district selections of representatives who will help determine the composition of the Loya Jirgas that will lead to a broad-based Afghan government—one that represents all the people of the country, people of every background and region, women as well as men. In June the Emergency Loya Jirga will complete the process of creating a transitional administration, the next step toward our ultimate goal of a fully democratic Afghanistan.

Many of our key allies and partners are contributing to the International Security Assistance Force in Kabul to help ensure a secure environment for Mr. Karzai to build a new Afghanistan. We want to do everything possible to prevent the rise of any alternative power to the Interim Authority and Transitional Administration, until a permanent government can be established and begin to take care of this challenge on its own.

A budget for the Interim Authority has been established and funded. The Authority is beginning to meet payrolls. Police and other Afghan officials are being paid. Schools are opened. Reconstruction has begun, to include the beginning of a new national police and military. Roads are being opened. The United Nations, for example, recently declared that the road from Islamabad to Kabul, Kabul's main external lifeline, and the road from Kabul to Kandahar, were open to unaccompanied U.N.-employee traffic. In other words, U.N. employees were free, and it was considered safe for them, to travel unaccompanied on those roads. Refugees are returning in record numbers. And indeed, the former King of Afghanistan returned for the first time in 30 years last week.

Much remains to be done and admittedly a lot of what remains will be difficult to accomplish. But we believe that at long last Afghanistan is on a positive track.

Mr. Chairman, I know that you are aware of the nature of the challenge we confront in Afghanistan. You understand what is needed to reconstruct this country and that foremost of all what is needed is a long-term commitment by the international community. If we can ensure such a commitment, and if we can achieve proper accountability in the use of the donor funds, then I believe there is a good chance of making significant progress in bringing a new future to Afghanistan—and ending the days of warlordism and political chaos that bred the Taliban and made a fertile ground for terrorists. And as reconstruction begins in Afghanistan, the war against terrorism continues. As President Bush said in his State of the Union Address, "What we have found in Afghanistan confirms that, far from ending there, our war against terror is only beginning." The administration is working together in new ways never before envisioned. And that's what this effort is going to require. FBI, CIA, INS, Treasury, State, the Attorney General and Justice Department, and others, are all coming together. This campaign is transnational, cross-border, even global in a way we have never contemplated.

We are operating in several areas right now. For example, in Yemen we are working with President Ali Abdallah Salih to uproot the al-Qaida network there. In the Philippines, we are working with President Arroyo to assist that country in combating its terrorists, the Abu Sayyaf—who as you know hold two American citizens as hostages.

We are also deploying a small force to Georgia to assist President Shevardnadze in getting a handle on a tough area in his country—an area that has spawned and harbored terrorists in the past. These troops will help train and equip Georgian forces in counterterrorism techniques and methods.

With respect to any new major use of military force in the war on terrorism, we have not made any recommendation to the President and the President has made no decision as yet with respect to such use of force. But there are many other actions that are taking place—actions of a law enforcement, political, diplomatic, financial, and intelligence-sharing nature.

Mr. Chairman, as I said earlier a sizable portion of the President's budget request is dedicated to these counterterrorism efforts, as you will see as I turn to the specific priorities of our budget request for Foreign Operations.

The President's fiscal year 2003 request for Foreign Operations is a little over \$16.1 billion. These dollars will support the continuing war on terrorism, the work

we are doing in Colombia and the Andean region at large, our efforts to combat HIV/AIDS and other infectious diseases, essential development programs in Africa, the important work of the Peace Corps and the scaling up of that work, and our plan to clear arrearages at the Multilateral Development Banks, including the Global Environment Facility.

WAR ON TERRORISM

To fight terrorism as well as alleviate the conditions that fuel violent extremism, we are requesting an estimated \$5 billion. In addition to the initiatives outlined in our budget request for the State Department and Related Agencies, this funding includes:

- Foreign assistance—\$3.6 billion for economic and security assistance, military equipment, and training for front-line states and our other partners in the war on terrorism. This includes—
 - \$3.4 billion from Foreign Operations accounts such as the Economic Support Fund, International Military Education and Training, Foreign Military Financing, and Freedom Support Act.
 - \$88 million for programs in Russia and other states of the former Soviet Union to reduce the availability to terrorists of weapons of mass destruction. Ongoing programs engage former weapons scientists in peaceful research and help prevent the spread of the materials expertise required to build such weapons.
 - \$50 million to support the International Atomic Energy Agency (IAEA) in activities designed to counter nuclear terrorism and implement strengthened safeguards; and \$15 million to allow us to respond quickly and effectively to unanticipated or unusually difficult non-proliferation projects or opportunities.
 - \$69 million for counterterrorism engagement programs, training, and equipment to help other countries fight global terror, thereby strengthening our own national security.
 - \$4 million for the Treasury Department's Office of Technical Assistance to provide training and other necessary expertise to foreign finance offices to halt terrorist financing.

And Mr. Chairman, in the fiscal year 2003 budget request there is approximately \$140 million available for Afghanistan, including repatriation of refugees, food aid, demining, and transition assistance. I know that President Bush, the Congress, and the American people recognize that re-building that war-torn country will require additional resources and that our support must be and will be a multi-year effort. Moreover, as I said earlier, we do not plan to support reconstruction alone and we will seek to ensure that other international donors continue to do their fair share.

At the Virginia Military Institute last week, President Bush made very clear what he wants to do for Afghanistan. The President told his audience of eager cadets that one of their own, General George C. Marshall, had helped ensure that a war-ravaged Europe and Japan would successfully recover following WWII. Now, today, Europe and Japan are helping America in rebuilding Afghanistan. The President said that "by helping to build an Afghanistan that is free from evil and is a better place in which to live, we are working in the best traditions of George Marshall." And so we are.

It will be a long, hard road. We know it. But like General Marshall we also know that we must do it. And the international community knows that it must help.

ANDEAN COUNTERDRUG INITIATIVE

We are requesting \$731 million in fiscal year 2003 for the multi-year counter-drug initiative in Colombia and other Andean countries that are the source of the cocaine sold on America's streets. ACI assistance to Andean governments will support drug eradication, interdiction, economic development, and development of government institutions. In addition, the Colombians will be able to stand up a second counterdrug brigade. Assisting efforts to destroy local coca crops and processing labs there increases the effectiveness of U.S. law enforcement here.

In addition to this counterdrug effort, Mr. Chairman, we are requesting \$98 million in FMF to help the Colombian government protect the vital Cano Limon-Covenas oil pipeline from the same foreign terrorist organizations involved in illicit drugs—the FARC and the ELN. Their attacks on the pipeline shut it down 240 days in 2001, costing Colombia revenue and disrupting its economy, and causing serious environmental damage. This money will help train and equip the Colombian armed forces to protect the pipeline. These funds begin to apply the policy change I referred to earlier; that is, the shift from a strictly counterdrug effort to a more broad-

ly based effort targeted at helping Colombia fight the terrorists in its midst as well as the drugs.

GLOBAL HEALTH AND HIV/AIDS

In fiscal year 2003, we are requesting \$1.4 billion for USAID global health programs. Of this amount, we are requesting \$540 million for bilateral HIV/AIDS prevention, care, and treatment activities, and \$100 million for the Global Fund to Fight AIDS, Tuberculosis, and Malaria, to which I referred earlier. All of this funding will increase the already significant U.S. contribution to combating the AIDS pandemic and maintain our position as the single largest bilateral donor. I should add that the overall U.S. Government request for international HIV/AIDS programs exceeds one billion dollars, including \$200 million for the Global Fund.

THE PEACE CORPS

All of you heard the President's remarks in his State of the Union address with respect to the USA Freedom Corps and his objective to renew the promise of the Peace Corps and to double the number of volunteers in the Corps in the next five years. We have put \$320 million for the Peace Corps in the fiscal year 2003 budget request. This is an increase of over \$42 million over our fiscal year 2002 level. This increase will allow us to begin the scaling up that the President has directed. We intend that the Peace Corps will open programs in eight countries, including the reestablishment of currently suspended posts, and place over 1,200 additional volunteers worldwide. By the end of fiscal year 2003 the Peace Corps will have more than 8,000 volunteers on the ground.

MDB ARREARS

The fiscal year 2003 request includes an initiative to pay one third of the amount the United States owes the Multilateral Development Banks (MDBs) for our scheduled annual commitments. With U.S. arrears currently now totaling \$533 million, the request would provide \$178 million to pay one third of our total arrears during the fiscal year. The banks lend to and invest in developing economies, promoting economic growth and poverty reduction and providing environmental benefits. We need to support them.

Mr. Chairman, in addition to what I have given you with respect to the President's budget request for fiscal year 2003, I want to give you the main priorities for our supplemental request for fiscal year 2002.

But first let me tell you how grateful we are at the Department for the efforts of this subcommittee and the House subcommittee to get us the \$1.5 billion in crucial Emergency Response Fund foreign operations funding to address the immediate post-September 11 needs. That was just the start though.

We are asking for \$1.6 billion supplemental funding for fiscal year 2002. This amount includes \$322 million for the Department. These dollars will address emergent building and operating requirements that have arisen as a result of the September 11 terrorist attacks, including reopening our mission in Kabul, Afghanistan; reestablishing an official presence in Dushanbe, Tajikistan; and increasing security and personnel protection at home and abroad.

That leaves about \$1.3 billion for foreign operations. These funds—added to the request we have made for fiscal year 2003 for the Front Line States (FLS)—are primarily to:

- Deter and prevent acts of international terrorism
- Provide vitally needed military equipment, training and economic assistance to our friends and allies
- Expand respect for human rights and judicial reform in the FLS
- Provide a significant and immediate impact on displaced persons in the FLS
- Support civilian reintegration of former combatants and reestablish law enforcement and criminal justice systems
- Provide economic and democracy assistance, including help with political development, health care, irrigation and water management, media development, community building and infrastructure improvements, and economic and civil society reform.

In addition, we have requested legislative authority in two areas. First, authority that will facilitate the provision of Cooperative Threat Reduction and Title V Freedom Support Act assistance. This assistance has been critically important in the dismantlement and non-proliferation of WMD material and expertise in the New Independent States. Second, as I referred to earlier, we are requesting expanded authorities to allow support for the Government of Colombia's unified campaign against drugs, terrorism, and other threats to its national security.

In sum, Mr. Chairman, these supplemental dollars for foreign operations in fiscal year 2002 will be directed at draining the swamp in which terrorists thrive and at insuring the long-term success of Operation Enduring Freedom.

Mr. Chairman, as I told this committee last year, the conduct of the nation's foreign policy suffered significantly from a lack of resources over the past decade. I have set both my CEO hat and my foreign policy hat to correct that situation. But I cannot do it without your help and the help of your colleagues in the Senate and across the capitol in the House.

I ask for your important support in full committee and in the House as a whole, both for the \$8.1 billion we are requesting for the Department and related agencies and for the \$16.1 billion we are requesting for foreign operations. In addition, I ask for your help with the supplemental request for fiscal year 2002. With your help, and the help of the whole Congress, we will continue the progress we have already begun.

Thank you, and I will be pleased to take your questions.

Senator LEAHY. Thank you, Mr. Secretary.

AFGHANISTAN

You referred to the President's position on a Marshall Plan for Afghanistan. I was looking at a New York Times editorial last week on Afghanistan and it refers to the President as having delivered a remarkable speech in which he vowed to lead an international effort to rebuild Afghanistan. The New York Times also praised his earlier speech in Monterrey, Mexico.

As you know, I made similar comments praising the President for those speeches. The editorial raised two points, regarding Afghanistan. It said Afghanistan remains in dire need of an expanded international security force, something the administration has rejected. Second, USAID recently asked for \$150 million in supplemental funding for humanitarian programs in Afghanistan. OMB approved only \$40 million, saying USAID could not absorb more funds because the roads were unsafe and so on.

Now, I agree with the President that we must do more to help rebuild Afghanistan. I know you do, and, I believe, everybody in the Congress does, as well. We cannot walk away, as many did after the Russians withdrew. In addition to the lack of funds, we are apparently not going to expand the peacekeeping force, even though it is going to be months before the Afghan army is ready to deploy. In the interim, what is our strategy to maintain law and order? And, with the lack of security in some parts of the country, how do we get aid in to rebuild the schools, rebuild the hospitals, and rebuild the basic infrastructure—projects that are vital to show the Afghan people that the United States is committed to improving their lives?

Secretary POWELL. I think we do have a solid, comprehensive approach to the problem, Senator. Take what we have allocated so far in 2002, add to that the emergency response fund 2002 request and 2002 supplemental request, and what we are asking for in 2003 it comes to a total of \$813 million, including \$227 million of AID funding.

In addition, I think we have had some success at the donors conference in Tokyo in asking the international community to come forward with close to \$5 billion to assist with Afghan reconstruction efforts, and in other conferences we have been working to find the funds necessary, using different donors lists to find the funds

necessary to rebuild the Afghan National Army, and so I think we are off to a good start.

The issue of the International Security Assistance Force (ISAF) and its size has been one that has been discussed at length and debated at length. The first group going in under the leadership of the British accomplished the mission that it was sent to do as a result of the Bonn conference, and that is to bring stability to Kabul. The Bonn conference that set in place the interim authority said that as appropriate and if necessary the ISAF could be expanded to other sites throughout Afghanistan.

It is not clear that there is a pressing need in every other city outside Kabul for that kind of military presence. The real security that is going to be needed for the reconstruction of Afghanistan, and not just in cities, but throughout the countryside, is going to come from building up a national army, building up a border patrol, and building up a police force, and that is where the focus of our efforts are going right now. We met several times earlier this week with Secretary Rumsfeld and other members of the administration to make sure that we are putting in place with our friends and allies a good plan, a comprehensive plan to build up those organizations and institutions.

There is not a great deal of enthusiasm in the international community, even if we thought it was an appropriate thing to do, to contribute large numbers of troops. Some people have said, let us get 30,000 troops and put them in Afghanistan, but essentially they would be sitting around in cities sort of looking for the right kinds of missions, and in fact there is not that level of support in the international community for that level of commitment.

Senator LEAHY. The security situation in Afghanistan is very complex. You have a lot of military dressed in civilian clothes, inter-mixed with humanitarian workers who are trying to distribute aid. In many cases it's very difficult to distinguish the humanitarian workers from some of the military personnel.

I have written to Secretary Rumsfeld on this issue. This may seem like a minor thing, but it is actually a very important issue if you are the humanitarian worker out there trying to build a water system or some other project, and you are afraid someone is going to mistake you for a combatant. There has got to be a way of addressing this problem.

Back to the peacekeeping issue, I agree with you. We need an Afghan police force. We need an Afghan army. But, we are a long way from being able to rely on these forces alone to provide security throughout Afghanistan. I am worried about what we do in the interim. The police and army are months away from being fully operational and we have some very significant problems to deal with before then.

Secretary POWELL. We do have some problems. We do not have anarchy in the country. It is a growing administration. Chairman Karzai faces many challenges, but I think he is off to a good start. The Loya Jirga will be convening in the very near future to put a more permanent government in place. The institutions are starting to be built that will be necessary to govern this country.

There is instability in various parts of the country, but it is not the total chaos that some have suggested it would be. There is a

U.S. troop presence in a number of places throughout the country. In some cases, such as in Kandahar, it is a large presence. In other places, it is a much smaller presence, just people who can be on the scene to provide some reassurance to the people that there is a United States or international presence watching what is going on, but the real key is to build up an Afghan army.

No number of European troops or troops from other parts of the world can substitute for a national army that is multiethnic, that is representative of the government. That is the challenge that we have to meet quickly, and those units are now starting to be trained and will come online in the course of the next year or so, and that is where we really have to make the strongest push and make the greatest investment.

With respect to uniformed military personnel, we are sensitive to the concerns that have been raised in your letter. I know that Don Rumsfeld is looking at identification means, and I am not sure how widespread a concern this is, and I am not sure of any humanitarian worker who truly has been put at risk, or injured, because of this confusion that is alleged to exist.

MIDDLE EAST

Senator LEAHY. We will continue to have a lot of questions on these issues. Following up on the Middle East, I am sure that you are aware of U.S. law that prohibits the provision of U.S. assistance to units of foreign militaries where there is credible evidence that members of these units have committed gross violations of human rights. Were there any violations of this law in the West Bank, or areas around it, during the past few weeks?

Secretary POWELL. Israel, in pursuing terrorists and undertaking the operations in recent weeks used equipment that is indigenous, their own equipment, but they also used U.S. military equipment. We are sensitive to the requirements of the law, and so far I have not received any reports and have not yet seen the need for any inquiries as to whether or not there has been a violation of the law.

Senator LEAHY. Well, has anybody asked that question?

Secretary POWELL. Nobody has raised it to me yet, Mr. Chairman, but I will go back to the Department and see whether or not it has been raised. It comes up on a frequent basis, and we examine the particular circumstances to see whether the equipment is being used consistent with the law, and so far we have not found an inconsistent use.

Senator LEAHY. If it has been used inconsistently, will you notify this committee?

Secretary POWELL. If something is inconsistent with the law, I will certainly do what the law requires.

Senator LEAHY. We also have a Vermont Palestinian family trying to locate several relatives who lived in Jenin. One blind elderly aunt was trapped in the rubble for some time, but was eventually saved. I will leave with your staff the names, if somebody with the U.S. mission to Israel could check on that I would appreciate it.

Secretary POWELL. We shall. I have just made a note.

Senator LEAHY. My time is up. I was told there was going to be a vote.

Senator MCCONNELL. It has not happened yet.

Senator LEAHY. But Senator McConnell, why don't you go ahead. If a vote does start I will slip out so we can keep it going.

Senator MCCONNELL. Mr. Secretary, the Israelis are understandably somewhat skeptical about the U.N. investigation of Jenin, particularly since there has been no effort on the part of the United Nations to investigate Palestinian bombings of Israeli civilians. I think from their point of view, since the partition of Palestine in the late 1940s, Israel has had a uniformly unsatisfactory experience with the United Nations time after time after time.

I am curious as to whether or not you think the United Nations ought to be requested—if they are going to start the business of investigating military actions in this part of the world—to investigate the Palestinian atrocities against Israeli civilians as well.

Secretary POWELL. I see no reason why any atrocity should not be investigated by appropriate bodies, and I do not think anybody would suggest there could be any justification for the kinds of suicide bombings that we have seen that have taken the lives of innocent Israeli citizens.

On its face, it is contemptible, and I think the United Nations has spoken in that vein, as have we, every time it occurs, and in this particular instance of Jenin, it was a situation where the whole world was focusing on it, where it was difficult to get in observers to take a look at what happened, and we were encouraging the Israeli Government to make Jenin accessible quickly to representatives of the ICRC or other organizations that would get the facts and find out what really happened, as opposed to these stories and anecdotes that were floating out there.

Late last week, as the issue was really becoming quite volatile, with people now starting to get in and seeing what was on the ground, and realizing that something serious had happened, it made sense to approach this in a more systematic way. We had discussions with the Israeli Government. I spoke to Foreign Minister Perez about it when he was with me last week, and the Israeli Government agreed to a U.N. resolution, supported by the United States and the other members of the Security Council, that fact-finding—not an inquisition, but a fact-finding mission should be dispatched to find out what happened in Jenin and nowhere else. The resolution speaks strictly to Jenin.

Since the Secretary General announced the membership of the group, the Israelis have expressed some concern about the membership and whether it is large enough to achieve its purpose. They wanted to make sure that it stayed on focus with the resolution, and it did not stray into other areas.

I spoke to Prime Minister Sharon about that last evening, and understood his concerns. I conveyed those concerns to Secretary General Annan, and last evening Secretary General Annan met with the Israeli Ambassador to the United Nations and went over the situation. The Israelis have dispatched a team, coming to New York to discuss it all with the Secretary General and his staff tomorrow, so I think we now have both sides talking to one another directly to lay out their concerns.

Senator MCCONNELL. Well, that certainly seems like a step in the right direction. You have a military background, I do not, but it seems to me that if the Israelis were completely unconcerned

about civilian casualties they could have chosen an entirely different tactic to counter terrorism. They could have simply wiped out the threat from the air, could they not?

Secretary POWELL. You could wipe it out from the air, but there was a great deal of destruction that took place from the ground with bulldozers. Assistant Secretary of State Bill Burns went in and also took a look to give us an independent assessment from somebody I have confidence in.

He says there was quite a level of destruction that had occurred within the Jenin camp, and it seemed to be in the best interest of all concerned, especially the best interest of the Israelis, to let a fact-finding team come in and see what the facts are, as opposed to the kinds of coarse speculation that was out there as to what happened with terms being tossed around like massacre, or mass graves, none of which so far seems to be the case. That is why we think it is important to get a fact-finding team in.

Senator MCCONNELL. Yes. It seems to me if the Israelis had wanted to commit a massacre it would have been a lot easier to do it from the air and wipe everybody out. That would be my definition of massacre. I hope this investigation is done in an objective manner.

Secretary POWELL. I think it will be, and I think the Secretary General is sensitive to concerns that were raised yesterday. I know some of the individuals on the committee. I know General Bill Nash, an American two-star General who is the military person on the committee, and I am quite confident he will look at this with a professional eye, and a professional military eye, and deal with the question you raise. It would have been far worse if they had used air power just to pulverize everything and not put any of their troops at risk.

Senator MCCONNELL. Yes.

Secretary POWELL. They did put their troops at risk, and 23 Israeli soldiers lost their lives in that battle. The prime minister and I have spoken of this, so I think it serves the interests of all as a fact-finding committee to go out and lay the facts out for the world to see.

Senator MCCONNELL. Thank you, sir. Do we consider Israel a frontline State in the war against terrorism?

Secretary POWELL. Certainly Israel has had to deal with terrorism perhaps more than any other country that we know of, but for purposes of this particular presentation, and as this budget proposal was structured, Israel was not included in here. Israel gets funds from the United States in a variety of other accounts, and we are always taking a look at what else might be done to support Israel in its time of need.

Senator MCCONNELL. What is the relationship these days between the PLO and the PA with Iran?

Secretary POWELL. We have expressed our concern in depth and with considerable passion to the Palestinian authority about the dealings they have had with Iran. It came to a head with the *Karine A*, the ship that clearly came out of Iran and was headed to the Palestinian authority. We pressed the Palestinian leadership to accept responsibility for this ship, to condemn those who were responsible for it, to forswear that activity in the future, but I can-

not tell you that it has been forsworn, or this kind of activity is not continuing, but there has been a connection between Iran and the Palestinian movement that has produced such things as the *Karine A*.

Senator MCCONNELL. Do we have any idea how Saudi Arabia plans to distribute the \$100 million it raised for the Palestinians during the recent 3-day telethon?

Secretary POWELL. It is a subject that I will be discussing with the Saudi officials when I am with them tomorrow down at Crawford with the President. We have seen some indications, and we have even seen an Arab newspaper, handed to me by Chairman Arafat, I might add, where some of the money, at least according to this Arab newspaper advertisement, would be going to elements of Hamas, so there are some troubling aspects as to how that telethon money would be distributed.

Senator MCCONNELL. Also, I understand that there are reports that the Embassy of Saudi Arabia here in Washington is buying 30-second pro-Palestinian advertisements throughout the United States, including, interestingly enough, in my home State. I am curious as to whether or not you were aware of this, and if so if you had any observations about it.

Secretary POWELL. I was not aware of that, and I do not know that I have any observations until I see what the ads are, since I do not know if the ads are proper, improper, appropriate, inappropriate, and I do not know what the ads say.

Senator MCCONNELL. Looking at the Palestinians down the road, do you have any sense of what plans there were, if any, toward developing some kind of functioning democracy in a Palestinian state that may be created sometime in the near future?

Secretary POWELL. They have not started, yet, to develop in a way that I think we would find acceptable for the kind of State we want to see emerge in the occupied territories. As we go forward, and as we find a political route forward, one of the essential features of our work with the Palestinian leadership and the Palestinian people has to be to put in place a representative form of government that is answerable to its people, that is transparent in its financial activities, that has an accountable government—

Senator MCCONNELL. If I could interrupt you, when we see the associates of Chairman Arafat sitting around the table with them, how are they chosen? Does he pick them?

Secretary POWELL. Some of them are chosen by him. Some of them represent heads of organizations. The ones I have been dealing with are for the most part his chosen associates. Some have positions to which they have been elected.

CAUCASUS

Senator MCCONNELL. If I could shift to another part of the world just for a minute. I have had an interest in the Caucasus for sometime, and shortly after you came to office there was the Key West meeting with regard to the Minsk Group, from which spring a little bit of optimism that maybe there would be a way to solve the Nagorno-Karabakh dispute. This conflict has strangled both countries and inhibited the ability of Armenia to develop normal relations with its biggest neighbor, Turkey. I know you have had a lot

on your plate lately, and probably have not paid a whole lot of attention to this issue, but I want to ask you if anything has happened since the Key West meeting?

Secretary POWELL. The Key West meeting was a good meeting, and frankly, I had hoped to see a lot more progress since then than we have seen. I am disappointed that we have not been able to move the process further along, but we are now getting down to the most difficult issues, and both presidents have staked out strong negotiating positions, and both presidents are trying to make a judgment as to what they can sell to their people.

What I discovered after Key West is that some of the commitments that were made, and some of the directions that were laid out, when they actually went home to see whether or not they could sell those at home, it turned out they were not ready to be sold, and they could not move forward as aggressively as I would have liked.

I am encouraged, however, that both presidents continue to be engaged in the process, continue to look for a political solution, and we continue to remain engaged with the Minsk Group and with our own participation.

Senator MCCONNELL. Given the evolving and improving nature of the relationship between the Russians and ourselves, which I think is a welcomed development, do you view the Minsk process as a constructive way to get this solved?

It was my earlier view that a group that consisted of the French, the Russians, and ourselves was probably not likely to produce a positive result, because I had a suspicion that the Russians preferred the status quo, and really did not particularly want the Caucasus to settle down.

Is the evolving relationship between ourselves and the Russians helpful in terms of the Minsk Group as the appropriate process by which to go forward and achieve a settlement? In other words, do you think the Russians would like to see this thing settled?

Secretary POWELL. I think they would, and I think the Minsk Group has been an effective organization. At times we have invoked President Putin to do something and move the process along, at times the French president has been involved, and at times President Bush has been involved.

The presidents have talked to each other over the past year about it, and President Bush's relationship with President Putin I think is strong right now, and frankly of such a cooperative nature that we can work together effectively with the Russians and the French to keep them moving along. So the answer is yes, I think it is a successful arrangement, and I think the Russians are committed to seeing progress, and that is certainly my impression from my many, many meetings with my counterpart, Foreign Minister Igor Ivanov.

Senator MCCONNELL. Shifting next door, Georgia seems to be going in the wrong direction, and I notice that it has certainly been discussed of late in terms of the war on terrorism and our own willingness to assist them. Could you give me an assessment of where you see Georgia these days, including the state of the Abkazia problem.

Secretary POWELL. I think Georgia is still in a fragile state. We are doing everything we can to help Georgia, President Shevardnadze and their military, improve their ability to go after terrorists who are using the Pankesi Gorge. There was some concern about our efforts, and people thought that we were trying to introduce U.S. troops into the region, but we are not. What we are trying to do is train Georgian troops so they can do a better job of dealing with that threat in the gorge, which is a big distraction with respect to their relations with Russia, and rolls into the Chechnyan problem.

We have also made it clear, however, that we do not want to see any improvement of their capability, or that improved capability used against Abkazia. It has to be a peaceful solution, and is a fragile situation. We monitor it carefully. We talk to all the parties, the Russians and President Shevardnadze, we keep encouraging all sides to find political ways to solve these interrelated crises in the region, and it is another one of those accounts that we manage on a day-to-day basis.

Senator MCCONNELL. No assassination attempts on President Shevardnadze lately?

Secretary POWELL. Not lately, which is progress.

Senator MCCONNELL. I see Senator Durbin is back. I am going to run and vote, and I will be back.

Senator DURBIN. Thank you very much.

Mr. Secretary, thank you for being here, and thank you for your continued service to our country. You do us proud. That comes from both sides of the aisle.

Secretary POWELL. Thank you, sir.

MIDDLE EAST

Senator DURBIN. We are happy to work with you.

May I speak first to the Middle East situation, and then to the global AIDS crisis. The President made it clear after September 11 what our policy would be in reference to terrorism. We would consider enemies those on the other side of the line, those who supported terrorism and harbored terrorism.

How, then, can we have a working relationship with the Palestinian Authority when there is clear evidence of support for terrorism, the *Karine A* shipment of 2,000 kilograms of C-4 plastic explosives destined for the Palestinian Authority, all of the incidents which we have seen in the news, the Passover massacre and other incidents? How can we reconcile what was a clear and resolute position after September 11 with what we are now facing and dealing with in the Middle East?

Secretary POWELL. It is a question I put to Chairman Arafat some 15 days ago. I went in to see him in his headquarters in Ramallah. We had a long, 3-hour conversation, and what I said to him is that he has to make a strategic choice, that terrorism and violence can no longer be seen as an acceptable means of finding a solution to the problem of a homeland for the Palestinian people, and that unless he took action, and not just words, but took action to move the Palestinian movement in a new direction and start speaking to his people, and start to use his ability as a leader, a leader who has been magnified many times over the last several

weeks. Rather than being isolated he has become the center of attention around the world.

He now has to use that leadership position to move his people in a new direction. He has to start speaking not just in English, but in Arabic, condemning suicide attacks, condemning violence. He has done that. There is more he can do, but as I have said to many people, it is not what he says, it is what he does.

Senator DURBIN. Have you seen those actions on his part after 15 days?

Secretary POWELL. I have seen statements. The violence has gone down. There is still violence. He cannot control everything. I think he can still do more as a leader of the people. Even as we get out of this current crisis, where we start to see the completion of the Israeli withdrawal which the President has called for, and we start to try to work security issues again with the Palestinian and the Israeli sides, I have made it clear to Chairman Arafat that if we do not see deeds match action, there is not much more the United States is going to be able to do for him.

Senator DURBIN. Are you troubled that as the opinion of most Americans of Arafat and his policy, if not condoning, supporting violence and terrorism, as the opinions of most Americans decline in reference to Mr. Arafat, his role and image in the Arab world seems to be growing by the day in popularity. Is this creating a rift in our international coalition against terrorism? Is it creating a chasm, a growing chasm between the Arab States and sympathizers of the Palestinian cause with the United States?

Secretary POWELL. It has created a strategic problem for the United States and, if I may say so, for Israel. Israel has every right to defend itself against terrorism. The President has said that. There is no question about it.

I talk to Mr. Sharon I would say almost every other day. I spend a lot of time with Prime Minister Sharon. I know what it is like to be a leader of the Israeli people who has to go to the funerals, and so I know what he is facing, and I know his commitment to try to achieve security for the people of Israel.

I also know what he has said to me in every one of our conversations. He knows that there has to be a political process. He said it again yesterday when he gave his televised speech to AIPAC, that he hopes that as a result of this current crisis we are now poised to begin negotiations and get into a political track that will take us somewhere. But, the current crisis with the Passover tragedy, that bombing, and with the Israeli response, it started a spiral out of control with respect to our strategic position and our interest with the neighboring Arab countries. We believe that it was important for us to get involved, as the President did get involved on April 4, because the long-term consequences of not getting involved, or letting that situation continue, would be very, very destructive to our interests and to Israeli interests.

We saw embassies that have been no problem whatsoever suddenly being demonstrated against, American cars being burned in embassy courtyards. We became troubled by the deteriorating situation, and that is why the President thought, end the operation as soon as possible.

It took a little longer than we had hoped it would but it is now in the process of coming to a conclusion, and we have got to get back to security discussions between the two sides. It is our belief, and we have heard this from Prime Minister Sharon and from the Arab side and the Palestinian side as well, that we have got to find a political way forward and we also have to find a way to provide economic relief and humanitarian support, reconstruction, help, and the building of a Palestinian economy.

So all of that is a part of the equation for moving forward.

HIV/AIDS

Senator DURBIN. I could continue in this line of questioning. There are many items that I would like to get into, but I really want to focus the remainder of my time on the global AIDS crisis.

There are many young people who are arrayed in the back of this hearing room. They are waiting in the hallways. If I had to sit down with them and point out something that I believe is happening in the world today that will have a direct impact on their life in the United States or wherever they choose to live, it would certainly be the threat of terrorism, but it would also be the threat of this global AIDS crisis. 8,000 people will die today somewhere in the world from AIDS, 14,000 will be infected with AIDS for the first time.

We are seeing the growth of this problem beyond Africa, which is sadly the epicenter, to India, and Russia, and Asia, at a pace which has to sober anyone who has studied epidemics that have faced the world. Kofi Annan, the Secretary General of the United Nations, has issued a challenge to all of the world to come to the aid of developing nations and underdeveloped nations that are suffering from this crisis and ask for a pledge, an annual pledge of \$7 to \$10 billion.

It is natural that he would look first to the United States, the wealthiest and most powerful Nation in the world. Mr. Secretary, this year we have pledged \$300 million to this global AIDS fund. Next year, the President asks for \$200 million, less than is being appropriated this year, and there is no money being requested, as I understand it, in the emergency supplemental for the global AIDS crisis.

It strikes me that we are moving at a snail's pace as this worldwide plague gallops away from us. Do you really believe that the United States is committed to this problem?

Secretary POWELL. We could do more, I think, though we should not be ashamed of what we have done. We took the leadership in this administration last year when the Secretary of Health and Human Services and I went to the President and said, this is a catastrophe, worse than terrorism where once every now and again you have an incident. This is every day, just as you describe, Senator.

And so we got started with the \$200 million, added with the Congress' assistance another \$100 million, and now we have asked for another \$200 million. That is for the global trust fund. It comes on top of roughly \$514 million of bilateral programs we have with respect to HIV/AIDS, and it comes on top of billions of other dollars that are spent throughout the Government to find a cure for AIDS,

to do education on AIDS. We have a lot of money going into the HIV/AIDS crisis, and \$500 million of that large pot of money is into the trust fund.

If we could find more to put into the trust fund, or ask for the trust fund, when you consider the balances and the offsets that the President has to consider in putting together a budget, I would support it.

Senator DURBIN. I would say, Mr. Secretary, that Senator Specter and I have offered an amendment to the supplemental for \$700 million more committed to multilateral and bilateral efforts on AIDS as an emergency appropriation. I just cannot think of money that we could spend more wisely than to try to stop the pace of this epidemic.

I think the American people understand this, too. This is not a problem in some other part of the world. This is a problem of our world, a problem that is sadly an airline flight away from being delivered to the United States every hour of every day, and I hope that we can have the support of the administration for \$700 million.

Secretary POWELL. Yes, I will pass that on to my colleagues downtown and see what we can do as it comes through, but I could not agree with you more, sir. We need to get on education, we need to get on treatment, we need to get on cure, we need to educate our youngsters as to how to protect themselves.

I am a great believer in abstinence programs. My wife and I have been championing those programs. I am also a believer in protecting oneself, and you may have noticed I got into a little trouble recently over this issue, but that is all right.

Senator LEAHY. Not from most of us, Mr. Secretary.

Secretary POWELL. It was interesting, we were also doubling the purchase of condoms within the Agency for International Development this past year to help those nations overseas who are struggling, because you have got to hit it on all fronts. You cannot stick your head in the sand and avoid the plain fact of the matter 8,000 people a day are dying, and we can do something about it, and we ought to do something about it. We are, and we can do more.

Senator DURBIN. Thank you. Let me close by just saluting you for your statements on MTV which drew some criticism, as Senator Leahy said, not from us, those of us who believe you have taken the right approach, abstinence first, but protection is critical, too.

Secretary POWELL. You ought to see the rest of the MTV piece. It is quite good.

Senator DURBIN. Thank you very much.

Senator LEAHY. I watched with disappointment. I thought you were going to sing. I was told by those who have heard you sing that you do it pretty well.

Before I go to Senator Reed, let me just underscore what Senator Durbin has said. AIDS and infectious diseases are an enormous problem, and we can and should do a great deal more. As Senator Durbin pointed out, extremely dangerous infectious diseases, such as the Ebola plague, are only an airplane trip away from the United States.

With respect to AIDS, I would note for the record I met with you, Senator Frist, President Bush, Kofi Annan, and Tommy Thompson

down at the White House on this critical issue. While that was a closed meeting, I think I give away nothing by saying that you were very strong on the need to do more. I have also praised President Bush for saying we need to do more. I think we can.

The pieces are slowly coming together, but only because I think the world is awakening to the fact that AIDS is such a horrendous problem. We could literally have countries disappear. We now have a situation in some countries where you have only the very young or very old, with practically nobody in between. The whole structure breaks down.

Secretary POWELL. Allow me to just expand on that point, if I may. It became so obvious to me shortly after I became Secretary that the HIV/AIDS and infectious diseases crisis was not just a health problem, it was a democracy problem, it was an economic problem, it was a social problem, it was a cultural problem.

How can we talk about democracy and gee, let us have free market activities in your country, when whole generations of income-producers were being destroyed, were dying, leaving their parents behind and children who were infected, but the middle was gone. How could you talk about development when there are countries which as a result of the HIV/AIDS crisis have seen their life expectancy drop from something like 55 or 60 down to 44 in a matter of a few years?

It is a catastrophe far worse by orders of magnitude than any other catastrophe or problem or crisis we have on the face of the earth right now.

Senator LEAHY. Thank you, and as I said, I have no doubt about your own commitment to it. I have heard you not only in the public domain, but I have heard you in the private meetings with the President and others where you have been very strong on that.

And Senator Reed, I apologize for stepping in. I appreciate your courtesy in letting me do that.

CENTRAL ASIA

Senator REED. Thank you, Mr. Chairman. Thank you, Mr. Secretary. Let me commend you for your courageous efforts in the Middle East. You changed the momentum, which was headed not only in the wrong direction, but with increasing violence, perhaps irredeemable, but thank you for what you have done.

Let me shift away from there for a moment, though, to Operation Enduring Freedom, and more particularly Pakistan. The Pakistan Government has been extraordinarily helpful to us. President Musharraf has been very courageous in many different ways, but there are increasing reports that Al Qaeda elements are finding refuge in Pakistan. There are tribal areas apparently that the government does not control.

The concern I have is that, despite the successful military operations in Afghanistan, if a sanctuary exists, Al Qaeda will find it, reconstitute themselves, and attack us again. Could you comment upon efforts to work with the Government of Pakistan to deny sanctuary to any of these elements?

Secretary POWELL. We have been working with the Government of Pakistan on this issue. President Musharraf has been forthcoming. As you noted, Senator, these are tough areas, and it is not

just a matter of going in and occupying them by military forces. It takes intelligence work, it takes liaison work, and President Musharraf has been quite forthcoming, more so than people might have expected at the beginning of this campaign with respect to what he is willing to do and how he is willing to cooperate with us. Some of the things we do not discuss and, frankly, the military piece of this I would leave to Secretary Rumsfeld or the Chairman of the Joint Chiefs of Staff to discuss with you.

Senator REED. Thank you, Mr. Secretary.

COLOMIBA

Mr. Secretary, turning to Colombia, we recognize there the situation is deteriorating. This peace march over the last weekend was organized by a professor at the University of Iowa, Bernard Lafayette, who was temporarily detained, as a Governor of the province detained, as a presidential candidate detained. All of this is asking us and forcing us to reconsider restrictions that we placed on the use of American equipment and the number of American personnel, but I think we would be ill-advised to open it up *carte blanche*. Are you going to propose changes and new conditions that might be employed to accompany our military equipment?

Secretary POWELL. No, sir, I do not know that we have any need for new conditions or anything that would restrict our ability to conduct our programs the way we have been conducting them.

Senator Leahy made a point in his opening statement with respect to human rights and other issues, and we will continue to apply those requirements of the law that the Senator and you, sir, are so familiar with on human rights abuses, and everything that has been directed in previous bills and legislation we will continue to comply with. We are not trying to get out of them.

Senator REED. As I understand, the American equipment can be used only for the counternarcotics battalions.

Secretary POWELL. American equipment was provided to the counternarcotics battalion because of the end of the safe haven program, and we are looking for flexibility with respect to how that equipment and how those units can be used, and how our support can be used, since the merger between narcotrafficking and insurgency activity is becoming blurred, but we are not looking for any means by which or any opportunity to send U.S. troops into active combat.

Senator REED. I understand that, but the template that we have used to define the use of this equipment and the use of American trainers has been restricted to the counternarcotics battalion. You have indicated that you are exploring a different—

Secretary POWELL. We are requesting in the supplemental, I think is the vehicle we are now using, to remove some of the barriers that exist between what we can do for narcotrafficking and what we think we now need to be able to do to fight the insurgency.

RUSSIA

Senator REED. Let me raise a question with respect to Russia, who is emerging as a close collaborator on so many different initiatives. The administration is asking for waiver authority for the

comprehensive threat reduction program, which suggests that there is a difficulty of meeting some of the certification requirements. Could you elaborate the difficulties certifying?

Secretary POWELL. We need more information from the Russians. I received a rather lengthy document yesterday that answers a number of the questions that we put to them. I have not had a chance to analyze it, but my staff is looking at it now. But until we are able to provide the appropriate certifications, we would like waiver authority, because we would not like to stop supporting this kind of activity, and we are pressing the Russians on it. They know the importance of getting us the information we need.

Senator REED. If I can raise another issue which we have spoken about before, Mr. Secretary, and that is the status of Liberians here in the United States. Many are here on a deferred enforced departure ruling which every year must be reviewed and extended with the cooperation of Secretary of State and the Attorney General, and I would hope that we could reach some type of permanent solution.

Many of these people have been here for 10 years or more. They have become part of our community, and rather than having the annual last minute nail-biting exercise to see if DED will be extended, I would hope that we could work on a more permanent solution and, certainly, if we do not reach one by the end of this fiscal year, extend DED, and I would like to be able to work with you on that, Mr. Secretary.

Secretary POWELL. Well, thank you, Senator. I look forward to working with you, and let me take a look at it and provide a more comprehensive answer for the record.

NORTH KOREA

Senator REED. Finally, let me just raise one other issue. The policy towards North Korea. Having a big stick hopefully allows you to employ other means, rather than using the big stick, and we certainly have been using a big stick on North Korea. In the last few days, there seems to be some indication that they have responded by at least initiating a more serious discussion with the South Koreans, an indication that they might be quite willing to talk substantively. Are you following that up aggressively?

Secretary POWELL. Yes, we are. We do not step back in the slightest from the President's description of North Korea. We believe it is a regime that is not serving its people well, but at the same time, the President made it clear that we were willing to talk to them any time, any place, and without any preset agenda.

It took the North Koreans a while to absorb our position and reflect on it, and when the South Korean minister went up to Pyongyang recently and was able to restart discussions between North and South, he also came back with a message that the North Koreans might be prepared to begin a dialogue with us again, and so we will be following up on that, and do not have any meetings scheduled yet, but we took serious note of this apparent change in attitude and we will be following up on it.

The President's policy is one of firmness, but at the same time a willingness to talk any time, any place.

Senator REED. Thank you, Mr. Secretary. Thank you, Mr. Chairman.

Senator LEAHY. Thank you, Mr. Secretary, and Senator Bennett.

Senator BENNETT. Thank you, Mr. Chairman, and Mr. Secretary, let me thank you for the commitment that you have renewed here today to deal with Congress as a full partner. I appreciated the breakfast that we had with you yesterday, your willingness to be as candid as you were, and I commend you for your willingness to do that, and personally thank you, because it is enormously helpful—

Secretary POWELL. Thank you, Senator.

EFFECTIVENESS OF U.S. FOREIGN ASSISTANCE

Senator BENNETT [continuing]. To those of us who have to face the press and our constituents and try to make some sense out of what is going on. We pretend that we can, and time spent with you empowers us to do it more effectively.

I would be replotting old ground if I talked about the Israelis and the Palestinians. I think the other members of the committee have gone through that adequately. I would just note that since your trip there, there have been no more suicide bombers and, since your trip there, there seems to be some degree of settling down, and I would hope there is a cause-and-effect relationship and applaud you for what you did there.

I want to move into another area altogether, which is the more traditional area of this committee, foreign aid and its use around the world, and I note that many commentators have raised the mathematical measure of where the United States is in terms of percent of GDP compared to other countries. I consider that a completely meaningless kind of measure, but the measure that I look for as a former businessman, to put it in businessman's terms, is return on investment.

I am less concerned with how much money we put in than I am with what kind of return we get on that investment, and trying to coin a phrase, I am more interested in movement than monument. That is, instead of going to these countries, as we do as we travel, and have someone take me out to say, look at what AID money bought, I want to say, well, that is a nice monument to American generosity, but what kind of movement has there been as a result of that investment towards stability and prosperity, because I found that even if a country is what we would call dirt poor, if there is a movement towards some prosperity, they feel pretty good about it.

We look at them in absolute terms and we say, this country is terrible, but it is better than it was yesterday as a result of what we did, and that movement is the greatest bulwark against terrorism and other kind of mischief. If there is no hope, if there is no sense that we are moving forward, then no amount of money and no number of monuments can help solve that problem.

Would you comment on areas of the world where you think we are using our AID money intelligently to get movement, rather than the kind of statistics we get from the AID folks, who love to stand here and total up all the monuments they have built?

Secretary POWELL. Well, I hope the answer is everywhere.

Senator BENNETT. So do we all.

Secretary POWELL. Yes, but I can tell you that under Administrator Natsios' leadership, I brought AID more closely into the senior leadership councils of the State Department. Andrew Natsios is at my staff meeting every single morning, so I now know what is going on at AID.

And when you also look at what we are trying to do with the millennium challenge fund that the President announced just before Monterey, that additional \$5 billion a year when it becomes a steady state representing a 50-percent increase, in all of our discussion about that millennium challenge fund, and in my discussions with Administrator Natsios about where we are going, it really goes to the heart of your question, and that is, we want to start investing in those countries and those places in the world that have made a commitment to democracy, to market reform, to market economics, to transparency, to the rule of law, to the end of corruption, so that the money is not going down a hole.

I will give you the example of Afghanistan. We had a debate in the Department not long ago about how AID was spending its money, and somebody wanted AID to build a bridge in Afghanistan, and the bridge would have cost a lot of money, and we did not do it. Andrew Natsios was insistent that it is more important for us to build mud brick houses and mud brick schools than it is to build a nice, very expensive bridge that would eat up half the money that was available.

Let somebody else go build a bridge. We are going to do things that touch the people directly, and start to invest in those things that give us movements and not monuments, schools, hospitals, clean water, health care, things that give people hope and start to give people the means by which they can reach up and become part of the 21st Century world, the 21st Century economy.

One impression I have gathered over the years, and really over the past year since I have been Secretary of State, is that there is this lag between becoming a democracy and seeing the benefits of becoming a democracy. We had an election, isn't this wonderful. We have a new president, and he is accountable, she is accountable, and will be reelected every couple of years, and we have a legislature. Good. When do the good times start? When does the big PX open?

Senator BENNETT. If I could interrupt you, I have a friend who traveled in an Eastern European country after the Berlin Wall came down, and noticed a particular slogan over and over again painted on the walls, and he asked his guide, he being not fluent in the language, what does that mean, and the guide just kind of brushed him off, and he kept at it until finally the guide said, well, that says you cannot eat freedom.

Secretary POWELL. Exactly, and so freedom—

Senator BENNETT. They were not that thrilled about democracy.

Secretary POWELL. They were not that thrilled about democracy, because everybody said, especially you Americans, it is going to be wonderful, but it is not wonderful if it does not put food on my table or a roof over my head, or an education for my children, and the longer the gap between the beginning of a democratic tradition

in the country and the results, the bigger the problem you have, and the more fragile the democracy is and will remain.

So our development programs, AID and everything else we do in the Department, has to be focused on getting this group of people ready to take advantage of the economic opportunities and political opportunities that come from democracy. That means infrastructure, education, teaching them how to use computers and teaching them how to make better use of their land for agricultural investments, new genetic seed and all kinds of things, but speeding them up, speeding up their development so that democracy does pay off, and if we do not do that, we are in trouble.

We had a conference at the Department yesterday, to show you how we are hitting this every way we can. We took advantage of the Sub-Saharan African nations being in town to have a conference on sovereign credit ratings, and I had to speak at it. I first had to ask my staff what does that mean, sovereign credit ratings, and it was very simple: teaching these countries how to apply for a credit rating in Moody's Rating, so that somebody will invest in these countries and start to put in place private investments on some secure credit basis so that they can start to generate economic activities in these countries.

So it is our aid programs. It is such things as teaching countries how to get a credit rating so somebody will invest in their country, because if you have an aid program that teaches youngsters skills, you had better have the investment to create a place where these skills can be applied. We have to look at this in a far more comprehensive way than we have in the past. Lecture them on democracy, teach them about market economics, use our AID programs to invest in the infrastructure to bring a new generation of young people up so that they can take advantage of economic openness in the global marketplace and then at the same time making sure that we teach these countries about the need for transparency and openness in their systems, so that they can get a credit rating so that someone will invest in their country.

There is nothing worse than having democracy and people you have educated, and no economic opportunity for them. They will soon fall out of love with democracy.

Senator BENNETT. Thank you, Mr. Chairman. I see my time is up.

Senator LEAHY. I do not think you are going to find anybody who is going to disagree with you on that statement, along with a democracy is some hope for the future, build up a middle class, let people have a stake in stability, is what you really need.

Senator Specter.

MIDDLE EAST

Senator SPECTER. Thank you, Mr. Chairman.

Mr. Secretary, thank you for going to the Mideast. You took on mission impossible, and I think you made some progress.

Secretary POWELL. Thank you, sir.

Senator SPECTER. On the issue of Jenin, with the widespread claims that there was a massacre there, I know that factually there has been a determination that there are no mass graves. I know you have your Assistant Secretary Burns on the scene, who has

been there. Are you in a position to confirm that in fact there was not a massacre at Jenin?

Secretary POWELL. As I mentioned to the committee earlier, Assistant Secretary Burns was there last Friday for 3½ hours. He saw no evidence of a mass grave. He saw no huge cache of bodies.

Clearly, people died in Jenin, people who were terrorists died in Jenin, and in the prosecution of that battle innocent lives may well have been lost, but I do not know the right answer. I do not know the real answer. Neither did Assistant Secretary Burns. He just had 3½ hours of looking at it. That is why we thought it was important to get an independent fact-finding group in there, and that is the resolution that we supported in the United Nations last Friday, and the Israeli Government also supported that resolution.

There has been some controversy in the last 24 hours about the terms of reference of the fact-finding group and the membership of the fact-finding group.

Senator SPECTER. I do not want to put you off, but I have to get to a number of questions in just 7 minutes.

Secretary POWELL. I just wanted to make the point that I have talked to Prime Minister Sharon about it. He is sending a team over to talk to Kofi Annan so that we can put this fact-finding group in the right frame of mind to do their work.

Senator SPECTER. I was here at the outset of your testimony, but had to leave for other committee assignments. What you are, in effect, saying is that there are no mass graves. There are people killed.

Secretary POWELL. I am saying that I have seen no evidence of such a mass grave. Since I am not there, and I have not conducted an investigation, I cannot tell you what might be there, but right now, I have seen no evidence of mass graves, and I have seen no evidence that would suggest a massacre took place.

Senator SPECTER. Well, I think that is an important statement to make, no evidence of a massacre. I think that is an important statement to have out at this time.

Mr. Secretary, thank you for hosting us at breakfast yesterday. I want to raise just for a moment the issue of Egypt's cooperation. There is a sentiment growing in the Congress of concern about our approximately \$2 billion a year to Egypt for more than 2 decades, approximating now \$50 billion. President Mubarak was in the Foreign Relations room a few weeks ago, was asked a lot of hard questions, and frankly did not give good answers.

One of the issues was that one of the leading Cairo newspapers had written that the United States had dropped food in Afghanistan designed to injure, to sicken, and to hurt the people there. Now, if that happened in the United States, we know about freedom of the press. When it happens in Egypt on a newspaper reputedly closely controlled by the government, that is a real question.

It has been a very, very cool peace with Israel, and I know that Egypt has not severed diplomatic relations with Israel, which is all to the good. We know the tremendous pressures that President Mubarak is under with Muslim fundamentalism and the assassination of his predecessor, Anwar Sadat, however I think there ought to be a little notification here that we expect a little more from Egypt on assisting United States goals.

Secretary POWELL. I have been disturbed with some of the statements that have been made in the Egyptian press from time to time, and particularly some characterizations of me. I have taken this up directly with the Egyptian authorities, and directly with President Mubarak. I think they should not have a government-controlled press, and I believe in freedom of the press, but when press is under some government control, and that freedom is abused with the most scurrilous kinds of falsehoods, not for the purpose of informing but for the purpose of inciting, then we should call it to the attention of the Egyptian Government, and we do.

At the same time, I think that the investment we have made in Egypt over these many years has served the intended purpose of achieving a peace agreement between Egypt and Israel, one that has held. Egypt has been a great friend and supporter of the United States over the years, and even in this time of difficulty over the last several weeks, when there was enormous pressure on Egypt to take action against Israel, it did not, with respect to breaking relations and things of that nature. They have been very supportive and cooperative of my efforts.

Senator SPECTER. Well, I just think they ought to know that the natives are restless.

Secretary POWELL. I thank you for that, and I will communicate it.

ANTI-NARCOTICS EFFORTS IN THE WESTERN HEMISPHERE

Senator SPECTER. On the subject of \$731 million for the Andean counterdrug initiative, this is something that we have all been working on for a long, long time, and from what I have seen, when there are changes in crops in Colombia, they move to Bolivia or to Peru. We brought out the military, and we have never had any real success in cutting back on the importation of drugs.

My thought has been that we ought to be upping the proportion—now it is about two-thirds on so-called supply, one-third on so-called demand, about 63–37 percent—and that we could do more with those dollars on education and rehabilitation. That comes in the context of an effort to utilize Cuba's willingness to have us cooperate with them on their air lanes and their sea lanes.

I have introduced a couple of amendments which have come through this subcommittee, and they have been either eliminated or watered down very much in the House of Representative because of the very strong anti-Castro political sentiment there. Without getting involved in that embroglio, it seems to me that when President Castro makes an offer, and he did it directly to a group that I was with, that we can use their sea lanes and their air lanes to interdict drugs, we ought to be taking him up on it.

Secretary POWELL. Senator Specter, on the demand side I could not agree with you more on the problem, educating youngsters in America and not-so-youngsters in America to stop using drugs, and to recognize the destructive nature of this habit both for their own lives and for our society, and the destructive effect it has on other societies, Colombian society and others.

The Andean initiative was designed to be a comprehensive solution, not just in Colombia but in the other nations as well, so that we did not just push the problem from one jungle to another jungle.

With respect to the Cuban offer, I frankly have not examined it, and I have not studied your amendment, I regret to say, and I will be glad to take a look at it. But as you know, Castro seldom just hands you something that you want to pick up at first glance.

MIDDLE EAST

Senator SPECTER. Mr. Chairman, I have one more question, if I might.

Senator LEAHY. Go ahead, because—I want to get a chance to ask questions before I go vote, but go ahead.

Senator SPECTER. Mr. Secretary, the issue of the international conference appears to be the best alternative around at the moment, and picking up again on something we discussed at breakfast yesterday, it would be my hope that your leadership and the President's leadership would bring some of the so-called moderate Arab States to the conference table, such as King Abdullah of Jordan, King Mohammed of Morocco, Crown Prince Abdullah of Saudi Arabia, and President Mubarak who is always a force. Although we have had grave, grave difficulties in dealing with Chairman Arafat and there is so much distrust because of the evidence that he has personally participated in paying off terrorists in the Iranian arms shipment, it may be that he will have to be at a conference. However, whatever he signs will be in disappearing ink, and what we ought to do with our very best efforts, it seems to me, is to try to get those other parties to be participants, signators, and perhaps guarantors, so that what is agreed to will be carried out.

Secretary POWELL. The President has not yet decided on a conference as I mentioned to you yesterday morning, but we are certainly looking at it, and there seems to be a great deal of interest in the international community and among the parties for such a conference at a regional or international level.

In our preliminary thinking about such a conference, if one was held, the same point occurred to us, that the Arabs have to play a more aggressive role than they might have otherwise, and not only for the reasons you mentioned, but to push forward and to put substance behind the declaration that came out of the Arab summit calling for an agreement between Israel and all the Arab States that would normalize relations and recognize Israel's right to exist, and no longer be threatened by any Arab State.

So if they believe that, and they want to begin negotiating on that basis, then they pick up added responsibility for Palestinian action and the action of any Palestinian leader in the achievement of that vision.

Senator SPECTER. Thank you very much, Mr. Secretary, and thank you for the very good job you are doing.

Secretary POWELL. Thank you, Senator.

Senator LEAHY. Mr. Secretary, we were talking about Cuba earlier. I happen to agree with those who say that we should be working with Cuba on drug interdiction. Some of the countries to which we provide counter-narcotics assistance have worse records on a range of issues.

COLOMBIA

But let us talk about Colombia. I am not quite sure I understand the goals. I know we have spent about \$2 billion on a counter-narcotics program in Colombia. I want to know what our objectives are, as they seem to be constantly changing.

Is it to defeat the FARC, and certainly they are committing terrible atrocities. Or is it to defeat the paramilitaries who have been involved in some of the most egregious human rights violations and are rarely called to task for it? Or is it to stop cocaine coming to the United States?

I mean, what is our final objective, and how do we measure success, especially in light of the fact that the Colombians have not lived up to the commitments that they previously made.

Secretary POWELL. I think our objective is to support Colombian democracy by helping Colombia deal with the threats to that democracy. The threat comes in several forms: First, the FARC and the ELN, terrorist organizations that we have so designated. Second, the growing of drug crops that contaminate the society, leads to a criminal culture and class, thereby threatening their democracy, and hurts America by providing drugs to drug users in our country.

So I think that we have an obligation to help Colombia preserve its democracy by going after narcotraffickers and helping Colombia go after those insurgent organizations that threaten the viability of Colombian democracy and supporting the Colombian Government, especially since President Pastrana decided that he could not continue with this effort at negotiating with these terrorist organizations.

Senator LEAHY. I have enormous respect for President Pastrana, and he is very well represented here in Washington by his very able Ambassador, but I also agree with our very able Secretary of State, who says in his prepared statement here this morning, no amount of additional assistance would be sufficient to turn the tide unless Colombia dedicates more of its own resources to this task, and commits decisively to a policy of establishing State authority and effective security for its people.

The Colombians have not met their financial commitments under Plan Colombia. There is about to be a presidential election. We do not know who is going to be president, although we may have an idea. We do not know what additional resources, if any, they are going to commit to these efforts. Why should we be pouring more money down there if we have goals that tend to be shifted almost arbitrarily, and without knowing if the Colombians are ever going to do their part?

We have talked about the need for money for AIDS and for infectious diseases. There will be other requests, I understand, such as additional money for Israel. Despite these, and other pressures on an already underfunded foreign aid budget, we seem to constantly need more and more money for Colombia with little results. Would it be better to wait until after the elections in Colombia?

Secretary POWELL. No, I think we should not wait until after the election. I can assure you, though, that after the election we will be pressing the new leadership to make a more serious commit-

ment of financial resources of the Colombian people and resources to this effort, and I cannot predict who the new president will be, but just watching the campaigns develop, it seems to me that we are probably going to have more aggressive leadership in power in Colombia that might be more receptive to the view you expressed and the view we will be expressing.

KIDNAPPED CHILDREN OVERSEAS

Senator LEAHY. Mr. Secretary, there is something I would hope somebody could check into. The daughter of some constituents of mine, Liz Henry, has been trying for 2 years to locate her two children. They were abducted by her former husband who is of Lebanese descent. She pursued a custody case in the Lebanese courts and she won. However, the Lebanese Government will not enforce the court order. It appears her ex-husband has left Lebanon and is now in Syria. I am told that Ambassador Burns has raised her case with the Syrian President and nothing has happened.

I mention this because, if there are representatives of the Lebanese Government here, I do not want them to think we have forgotten this case, nor will I forget it as we look at the budget for fiscal year 2003. I commend Ambassador Burns for raising this. When you are talking to him, please tell him I appreciate it, and I hope he will continue to push this issue.

Secretary POWELL. I will, Mr. Chairman.

LANDMINES

Senator LEAHY. My last thing—and somebody check whether Senator McConnell is coming back—this concerns an issue that I cannot let an appearance like this go by without raising.

You have been a voice of reason on the issue of land mines, and I say that because as Secretary of State you see the enormous problems we face in getting our aid to areas because of land mines, but also as a well-decorated military person, one who served in combat and served as Chairman of the Joint Chiefs of Staff. You also have a view of it from the view of a soldier.

I am concerned that we are losing momentum on this. There has been some poor communication in the Pentagon. There are people in the Pentagon at very high levels who tell me privately we have got to solve this. Others, though, have stood in the way. Former General George Joulwan has been a strong and helpful voice. There is lingering resentment over the way the United States was treated in the Ottawa process. Some of that resentment is valid. But I was there throughout most of that process, and some of it we brought on ourselves.

Now, I know the administration is not about to join the Ottawa treaty. It would have been a wonderful thing had we done that initially. But we are the world's unmatched military power. We are actually the most powerful Nation history has ever known, and we can set the standard for the world.

We are talking about eliminating a very small class of weapons. We are not talking about eliminating command-detonated mines, or mines with a man in the loop, or cluster munitions. We are only talking about mines that are designed to be triggered by the victim,

and we have far more precise weapons that discriminate between enemy combatants and friendly forces or innocent civilians.

If we did this, I think we would reap both military as well as political benefits. If it is left just to the bureaucracy, nothing is going to change. I mean, it is the same bureaucracy that told General Pershing 80 years ago we cannot give up poison gas as a weapon.

It is going to take people like yourself and Secretary Rumsfeld. I hope you will help on that, I really do. I think that we do so much with the Leahy War Victims Fund and our demining efforts, and we spend hundreds of millions of dollars, but I think we should get rid of the victim-detonated mines.

Do you want to comment?

Secretary POWELL. No. You know, Mr. Chairman, of my commitment to our demining efforts.

Senator LEAHY. I do.

Secretary POWELL. I am not sure of the status of Pentagon developments and programs, but I believe that the Pentagon remains committed to finding solutions to the problem they would have if a gap were created in that capability, and I do not know what the status of the programs are, but I certainly will encourage Don Rumsfeld and my former colleagues in the military to keep pressing and not abandon efforts to find such solutions.

As you will recall, it was really a couple of unique circumstances related to Korea that convinced the military and convinced me when I was Chairman of the Joint Chiefs of Staff that we could not go along with Ottawa at this time.

Senator LEAHY. I know. But I think there are ways of solving the Korea situation, without going into a long discussion of that. I think we could do it, I think we would have significant moral authority worldwide, and especially for those few remaining countries that are not abandoning these types of mines, who use the excuse that the world's most powerful Nation will not so why should we. I do not want to give them that excuse.

I know you are about to leave, or are soon to leave, and I think Senator McConnell is coming back. Mr. Secretary, if you could hang on for just a moment, because there is a roll call vote on and that is what is causing the problem.

ANGOLA

On Angola, today I see a country where there is a real possibility for peace, but you have about \$1 billion in oil revenues that are stolen by the government. We need to join others like Great Britain, the World Bank, and IMF, in insisting that governments publicly disclose their revenues from oil and gas, mining, and other extractive industries. If this information is disclosed, it will be much harder for government officials to steal their country's natural resources. I will now turn to my good friend, the senior Senator from Kentucky.

Again, Mr. Secretary, I appreciate your being here. I appreciate the briefing yesterday, but more importantly, just as an American, I appreciate the job you are doing.

Secretary POWELL. Thank you, Mr. Chairman.

EFFECTIVENESS OF FOREIGN AID

Senator MCCONNELL. Thank you again, Mr. Secretary. A couple of wrap-up questions in no particular order, and thank you again for being here.

I thought one of the most interesting questions of the morning was Senator Bennett's question about whether there was a return on our foreign aid investments, something I am intensely interested in. I appreciated the President's stipulations attached to the \$5 billion increase through the Millennium Challenge Account that all seem to me tended to be targeted to rewarding movement.

Congress from time to time—no matter who is in the executive branch—wants to make contingent assistance based on certain behavior. Certainly, I would hope you would agree that foreign aid is not an entitlement, and certain kinds of behavior it seems to me ought to legitimately jeopardize American foreign assistance.

And we understand the carrot part. That was the answer to Senator Bennett's question, which I wholly agree with, but what about the stick? What about some price to be paid in terms of economic assistance when your behavior seems to warrant that?

Secretary POWELL. I agree entirely. I mean, if you fall off the wagon, if you start to act in ways that are inconsistent with the philosophy under which you received the money in Challenge funding or in any other kind of foreign aid, then I certainly agree that it should not continue, or there might be other consequences of such action.

At the same time, I would ask the Congress to think carefully before putting too many things in legislation as requirements, certifications, waivers required, and similar items that make it harder for the President and the Secretary of State to conduct foreign policy, and I would always welcome the opportunity to discuss with Members of Congress what they have in mind before they put it in law.

EGYPT

Senator MCCONNELL. It has been my experience that the granting of waivers tends to be more popular when members of your own party are in the administration.

Senator Specter brought up Egypt, and I want to go back to that just for a moment. I was among those getting very skeptical about Egypt's level of cooperation well before September 11. A couple of years ago when my party was in the majority and I actually chaired the subcommittee, I made some dramatic reductions in United States assistance for Egypt in the chairman's mark. That lasted about half a day before it was reversed, but the point I was making then, and I think we are all contemplating these days, is the question of what are we getting for our money?

Now, I am not going to advocate anything dramatic. I understand how sensitive that situation is, and I have complete confidence, frankly, in you and your ability to manage this. But I am wondering if it has ever occurred to you that maybe the aid ought to be reconfigured in some way.

A substantial part of it is military in nature, and having been an Egypt-watcher for some time I have not seen a whole lot of

progress on the reform side in terms of moving ahead with a structure that allows people to lift themselves out of poverty. Do you think this current configuration of assistance, which has been largely unchanged since 1980, is adequate, or would you be open to considering a different way of looking at this package?

Secretary POWELL. I think it is adequate for the moment. I think in this period of tension we could certainly begin exploring with the Egyptians whether this is the right thing and the right balance for the future, but I do not think I would entertain changing it right now.

RUSSIA

Senator MCCONNELL. Finally, let me go for the last question to our new relationship with the Russians, which all of us welcome, and I want to commend you for your role in that. I think this is a very positive development.

You were discussing earlier the gap between the establishment of a democracy and seeing some progress, and Russia is a classic example of that. They went out and started having elections, everybody looked around, and nothing was getting any better, but hopefully after a decade or so there are some improvements, and certainly our relationship has gotten dramatically better.

Do the NATO-Russia Council give Russia a veto over NATO decisions and, if it does not, what is the practical effect of the Russian NATO Council?

Secretary POWELL. No, it gives Russia no veto over anything NATO wants to do without Russia, and it gives NATO no veto over anything Russia wants to do without NATO.

Senator MCCONNELL. So what is it?

Secretary POWELL. It is a means by which we look at things that we have a common interest in working on together, terrorism and a number of other areas that have been suggested for cooperation which the Russians have found quite promising. We will decide at 19, without Russia, whether or not we wish to engage Russia on a particular item, and then the NATO-Russia Council meets and discusses it, and determines how 20 can go forward.

If, in the process of going forward at 20, NATO finds that new circumstances or new requirements being placed on the 20 by Russia make it not appropriate to continue to go forward at 20, NATO will have the ability and the right to pull it back to 19. So it is a means by which we can cooperate more closely with Russia on a variety of issues of common interest to both NATO and Russia and other parts of Europe, and brings Russia closer to the Euro-Atlantic family, but at the same time does not destroy the essence of NATO as a unique organization that did not include Russia but cooperates with Russia at 20.

Senator MCCONNELL. One final thing. How many countries are likely to be included in the next round of expansion?

Secretary POWELL. Ah, Senator, nice try.

I cannot believe you did that to me.

The President, of course, has this under serious consideration. We talk about it almost every week now, and I think it is going to be a very healthy number. I cannot tell you what that number will be, and I do not even want to suggest a range.

If I could close the answer, though, by saying it has been a marvelous evolution to watch since the days when I was Chairman of the Joint Chiefs of Staff and the cold war ended and the Warsaw Pact went away. I used to come up and testify before the Senate on whither NATO, why do we need a NATO, why doesn't it go away, and all of my Russian general friends would come to see me and say, you know, why do you continue the cold war by keeping NATO around, you should get rid of it, it is a relic of the cold war. We had to defend NATO for years.

Then finally the answer became obvious, everyone wants to join the club. It must be doing something right, and I just respond to my still Russian General friends, nobody wanted to be in your club anymore, so the club closed, but we are handing out application forms all over the place. People are filling them out left and right. Why? Because they want to be part of a political and security organization that is anchored in its relationship with North America, with the United States and Russia.

Senator MCCONNELL. And it has discovered some new missions, too, has it not?

Secretary POWELL. Right, and it is taking on new missions, and so NATO is what gives you Canada and the United States, and that is important to them. The E.U. does not do that. No other organization does that, and they find comfort in being in such a partnership.

And if I may, Senator, because we got going early, and when I mentioned North America and NATO I really did want to linger on Canada as well as the United States. Canada is such a great partner with the NATO alliance, and as the Senator, Chairman Leahy was kind enough to note earlier, and we have a lot to thank Canada for.

They have always been there with us, and I, too, as all Americans, mourn the loss last week of those brave Canadian soldiers. I have not had in my career as an Army officer, as National Security Advisor, and now as Secretary of State, better friends and allies and trading partners than we have with our Canadian brothers and sisters to the north.

Senator MCCONNELL. Well, thank you very much, Mr. Secretary, for the wonderful job you are doing and for being here today.

Secretary POWELL. Thank you, sir.

ADDITIONAL COMMITTEE QUESTIONS

Senator MCCONNELL. Thank you very much. There will be some additional questions which will be submitted for your response in the record.

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

QUESTIONS SUBMITTED BY SENATOR PATRICK J. LEAHY

INTERNATIONAL CRIMINAL COURT

Question. This month the Rome Treaty establishing the International Criminal Court came into force. Despite the fact that close allies, like Britain and Canada, with thousands of troops deployed overseas, support the ICC, we hear that the Administration is considering "unsigned" the Treaty. Isn't a better strategy to stay en-

gaged with the Court, to give our negotiators the most leverage to shape it in our interests? What benefits do we get by unsigned it now—giving all of our leverage away up front?

Answer. On May 6, the United States notified the U.N. Secretary General in his capacity as depositary for the Rome Statute of the International Criminal Court (ICC) that the United States does not intend to become a party to the statute (which comes into force July 1, 2002). We took this step in order to make clear our objections to the Rome Statute in both principle and philosophy, and to avoid creating unwarranted expectations of U.S. involvement in the Court.

The existence of a functioning ICC will not cause the United States to retreat from its leadership role in the promotion of international justice and the rule of law. We will work together with countries to avoid any disruptions caused by the treaty, particularly those complications in U.S. military cooperation with friends and allies that are party to the treaty. We will also continue our longstanding role as an advocate for the principle that there must be accountability for war crimes and other serious violations of international humanitarian law.

MILLENNIUM FUND

Question. I support the President's "Millennium Fund" to increase development aid by \$10 billion from 2004 to 2006, and to tie the aid to good governance, sound economic policies, and combating poverty. However, a few months ago we gave \$600 million to Pakistan, one of the world's most corrupt countries, with no strings attached.

In the supplemental request, the Administration did not place any conditions on its request for some of the most autocratic and economically backward regimes in the world. Is this just because these governments support the war on terrorism? How is this different from the cold war, when we gave billions of dollars to corrupt governments because they were anti-communist?

It seems like we are heading for a double standard—the Millennium Fund would put tough conditions on development aid, but no conditions on military aid. Do corruption and the rule of law only matter for some of the taxpayers' money? Why shouldn't the same standards apply?

Answer. Economic Support Funds are provided in recognition that, under special economic, political or security conditions, the U.S. national interest may require economic support for countries in amounts and for purposes that could not be justified solely under rather exacting Development Assistance authorities. We anticipate that the Millennium Challenge Account will have even higher standards with regard to a country's demonstrated commitment to development and sustained performance.

Economic Support Funds are intended to promote economic and political stability and, to the extent feasible, are to be used for program purposes consistent with the authorities of other accounts in the Foreign Assistance Act, e.g., Development Assistance and International Disaster Assistance. In Pakistan, for example, while the dollars provided were in support of a severe balance-of-payments problem, the government committed to direct a commensurate amount of local currency to meet budget gaps in important social sector programs specifically for basic education, health and job creation.

Even with the Millennium Challenge Account, the United States will continue to have a need for ESF that permits the Administration to address urgent national security interests in the most expeditious and efficient manner.

FOREIGN AID FUNDING—MILLENNIUM FUND

Question. The details of the Millennium Fund are still unclear, aside from some broad principles which you mention in your testimony.

One of the problems with the President's plan is that the increases in foreign aid do not start until 2004—despite the fact that the problems it seeks to address are getting worse each day.

Last month, I asked Secretary O'Neill if we could do more this year, and he said: "I think it's in fact an excellent question and I think that one should not rule out the possibility of looking at a beginning of this idea in the fiscal year 2003."

Is the Administration considering a budget amendment in fiscal year 2003 to get the Millennium Fund started sooner? Why not?

Answer. We agree that it may be advisable to begin some limited Millennium Account activities, perhaps pilot projects, before fiscal year 2004. This subject is under discussion by the Steering Group, and they will most certainly consult with the Congress on this matter as discussions move forward.

COLOMBIA—HUMAN RIGHTS

Question. There is a rumor that you are close to certifying that the Colombian Government and Armed Forces have met the human rights conditions in our law.

I am a strong supporter of President Pastrana and of Colombia, and the FARC has been committing kidnappings and atrocities every week. There are other serious human rights problems there too, especially with the paramilitaries. A few months ago, the Administration said the Colombian Government had not made enough progress on human rights. I agree. What has happened in the past month to justify making the certification now?

If you make the certification—and I hope you do not until there is more progress—that would permit the release of 60 percent of the aid. There is another certification that would need to be made after June 1st, for release of the rest of the funds.

What further, specific progress on human rights would you expect the Colombian military to make for a second certification? We need clear benchmarks, to measure progress, or else we won't see it.

Answer. I have not yet made a decision regarding the certification required under section 567(a) of the Kenneth M. Ludden Foreign Operations, Export Financing, and Related Programs Appropriations Act, 2002 (Public Law 107–115) (FOAA). The Department of State is currently reviewing information it has received from the Government of Colombia, Colombia's Armed Forces, the Inspector General's Office (Procuraduria), the Prosecutor General's Office (Fiscalia), the Vice President's Office and a wide range of international and Colombian non-governmental organizations active on human rights issues.

Human rights remain central to our bilateral relations with Colombia. We will continue to engage the Government of Colombia on concrete measures it should take to improve its human rights performance, particularly the human rights record of the Colombian Armed Forces.

COLOMBIA

Question. What are our objectives in Colombia, what would it take to achieve them, over what period of time, and how much would it cost us and the Colombians?

Is the goal to defeat the FARC? To defeat the paramilitaries? To stop the cocaine coming to the United States?

Does it make sense to spend more money, on top of the \$2 billion we have already appropriated, before we know who the next Colombian President is and what his policies are?

In your prepared testimony you say, and I quote:

"no amount of additional assistance will be sufficient to turn the tide unless Colombia dedicates more of its own resources to this task and commits decisively to a policy of establishing state authority and effective security for its people."

I agree. Given that the Colombians have not met their financial commitments under Plan Colombia, what should we expect to see before we send more aid?

Answer. The United States remains committed to helping Colombia—the hemisphere's second oldest democracy—combat narco-trafficking and terrorism, defend and strengthen its democratic institutions, advance human rights, provide humanitarian assistance for those displaced by the conflict, and promote socio-economic development, but Colombians must take the lead in this struggle. In 1999, President Pastrana responded to the crisis undermining Colombia's democracy, prosperity and security with the launch of the six-year, \$7.5 billion Plan Colombia. Plan Colombia calls for substantial Colombian social investment, judicial, political and economic reforms, modernization of the Colombian Armed Forces, and renewed efforts to combat narco-trafficking. To aid Colombia, in 2000, the U.S. Government provided \$1.3 billion in assistance to the Government of Colombia's Plan Colombia in support of these goals. In 2001, Congress appropriated \$381.86 million to sustain our Plan Colombia programs.

The Government of Colombia reports it is well on its way to funding its commitment under Plan Colombia having spent \$2.6 billion for Plan Colombia-related infrastructure projects, including a hospital in Puerto Guzman, a school in Orito and a farm to market road in Mocoa, as well as projects regarding human rights, humanitarian assistance, local governance, and the environment. Colombia has also reported that it has spent \$426 million on social services and institutional development, including family subsidies and programs for job creation and youth training.

The Government of Colombia's contribution to Plan Colombia is being used for counterdrug efforts and social and economic development projects. These projects include social and infrastructure programs in Putumayo Department, in southern Co-

Colombia, the site of the heaviest concentration of coca growth. Colombia has also continued to modernize its armed forces; stabilized its economy in accordance with IMF guidelines; and undertaken an aerial eradication program resulting in the destruction of unprecedented amounts of coca.

President Pastrana has also announced plans to increase Colombia's defense budget, currently at 3.5 percent of GDP, to cover the cost of heightened military operations, and to add 10,000 soldiers to the army. We have stressed in our meetings with senior Colombian Government officials that Colombia needs to increase the resources it devotes to security, and have also begun a dialogue with the leading presidential candidates on this issue.

The Administration is now seeking new legal authorities that would allow United States assistance to Colombia, including assistance previously provided for counter-narcotics, to be used to support a unified campaign against narcotics trafficking, terrorist activities and other threats to national security. The decision to seek new authorities reflects our recognition that: (1) Colombia's terrorist groups are involved in every facet of the illicit narcotics trade; (2) the terrorist groups' efforts to promote insecurity hamper our counter-narcotics operations; and (3) the GOC faces a heightened terrorist risk after the end of the demilitarized zone on February 20.

In addition to new legal authorities, we are also seeking \$35 million in the counterterrorism supplemental to help the Colombian Government protect its citizens from kidnapping, infrastructure attacks and other terrorist actions. Our \$35 million request is broken down as follows:

- \$25 million in Non-proliferation, Anti-terrorism, Demining and Related Programs (NADR) funding for antiskidnapping training and equipment for the Colombian police and military;
- \$6 million in Foreign Military Funds (FMF) funding to begin training for Colombian military units protecting the key Cano Limon oil pipeline; and
- \$4 million in International Narcotics Control Law Enforcement (INCLE) funding to help organize, train, equip and deploy Colombian National Police units that will provide security in conjunction with construction of reinforced police stations to enable the police to reestablish a presence throughout Colombia.

Leading presidential candidates in Colombia also advocate continued, vigorous counter-narcotics efforts and improving Colombia's human rights climate. All have backed President Pastrana's request that equipment provided by the United States for counter-narcotics efforts be used for counter-terrorism as well.

We have already engaged the leading presidential candidates on these issues, and will hold more intensive talks with the president-elect after Colombia's elections.

MIDDLE EAST—CURRENT

You have testified that you were not aware of any instance when the Leahy law, which bars U.S. aid to foreign security forces who abuse human rights, was violated in the Middle East conflict.

I recently received a letter signed by Assistant Secretary Paul Kelly, responding to an inquiry on this subject which I had sent to Ambassador Kurtzer back in January. Mr. Kelly's letter quoted the State Department's Human Rights report, that "numerous serious human rights abuses" were perpetrated by Israeli security forces during the past year.

Question. Are you confident that no U.S. weapons were used in any of those abuses? We also trained Palestinian police officers. Do you know if any of those officers were involved in human rights violations? The Red Cross and World Bank estimate damage in the West Bank to be in the billions of dollars. Much of the damage was to infrastructure built with foreign aid, mostly from the United States. Is it likely that U.S. taxpayers, either directly, or through the United Nations and the World Bank, will also end up paying a large share of the costs of rebuilding?

Answer. The Department cannot state with confidence that no U.S.-origin weaponry was used in human rights abuses that may have been perpetrated by the Israeli Defense Forces or that no Palestinian police officer trained by the United States committed human rights violations. The Department is sensitive to the requirements of the Leahy Amendment, which prohibits the provision of funds appropriated under the annual foreign operations appropriations acts to any unit of a foreign country's security forces if the Secretary has credible evidence that such unit has committed gross violations of human rights. To this point, although the possibility cannot be excluded that the credible evidence referred to in the Amendment may be developed, such evidence has not been produced. We currently are refining our procedures for implementing that amendment, including with a view to improving our ability to discern credible evidence of gross violations of human rights by

specific units of foreign security forces. Updated guidance will be sent to posts worldwide.

We share the goal of the Leahy Amendment to hold foreign security forces and governments accountable to international human rights standards. Our goal is to carry out security and other foreign assistance programs in a manner consistent with human rights standards. We continue to monitor this situation and the obligations the Leahy Amendment places on the parties and us.

The World Bank recently estimated raw physical damage in the West Bank and Gaza at approximately \$400 million over the 18 months of the intifada, plus over \$300 million in additional funds as a direct result of the recent incursions. While some damage was suffered by donor supported projects, most of the damage was centered on businesses, houses, and roads. The international donor community has pledged to assist in the rebuilding of damaged infrastructure and to respond to the Palestinians, dire humanitarian needs. Consensus emerged at the recent Ad Hoc Liaison donors' conference in Oslo, however, that considerable attention should still be paid to the Palestinians, longer-term development needs. To that end, the United States is continuing with plans to undertake major water infrastructure projects and other programs with a long-term developmental impact. We are also continuing our projects in the areas of health, community development, and rule of law.

MIDDLE EAST—SETTLEMENTS

Question. During your trip to the Middle East, you said “for the people and the leaders of Israel the question is whether the time has come for a strong, vibrant state of Israel to look beyond the destructive impact of settlements and occupation, both of which must end.”

However, Prime Minister Sharon was recently quoted as saying that “until the November 2003 elections, there will be no talk of evacuating any settlements.” I am told that there have been 34 new settlements built since he took office.

Given Prime Minister Sharon's statements, how do we make progress on this key issue?

Answer. The President and I have been very clear that settlement activity in the occupied Territories must stop, and that occupation must end through withdrawal to secure and recognized boundaries, consistent with United Nations Resolutions 242 and 338. Israeli settlement activity prejudices the outcome of a key final status issue. We continue to monitor this issue, and address it directly with the Government of Israel. As for the question of possible evacuation of existing settlements, that is an issue that will have to be faced in the context of a final status agreement.

AFGHANISTAN

Question. Humanitarian relief workers in Afghanistan, including people who have years of experience working in crisis situations, have expressed great concern about U.S. military personnel in civilian dress who are involved in humanitarian relief activities. They say this jeopardizes the safety of the humanitarian workers, because while the soldiers are armed, the humanitarian workers are not. If that line is blurred, it is the unarmed humanitarian worker, whether in Afghanistan or in the next crisis, who will be at risk. Retired military officers and defense officials have echoed their concerns.

I gather the Administration is trying to solve this problem, although nothing I have heard sounds adequate. As a former Chairman of the Joint Chiefs and now Secretary of State who oversees these aid programs, can you help to ensure that U.S. field commanders and USAID personnel in Afghanistan work with NGOs to resolve this?

Answer. Following concerns raised by the humanitarian community, the Department of Defense reviewed the uniform policy for the U.S. military personnel undertaking humanitarian relief activities. The uniform policy was subsequently revised to be compliant with the Geneva Convention. Military personnel are required to wear one article of military clothing and openly display their weapons. This policy both meets the force protection requirements of our forces and clearly makes the soldiers easily identifiable.

USAID actively coordinates with the military personnel on the selection and execution of humanitarian assistance programs in Afghanistan.

ANGOLA

Question. In Angola today there is a real chance for peace. But it is estimated that approximately \$1 billion—perhaps a third of Angolan state income—has disappeared annually for the past five years. According to the IMF, whose relationship with Angola appears to have broken down, approximately 90 percent of Angola's

state revenue is derived from oil. This is not unique to Angola. Corruption on this scale is a cause of poverty, failed states that become havens for terrorists, and then we and the World Bank end up sending aid to take care of the people.

The same American oil companies that, according to SEC regulations, have to report their tax and other payments to the U.S. Government from oil pumped in the United States, do not have to report their payment to the Angolan Government, or for that matter, any other oil-dependent developing country, from oil pumped there. And then elites in these governments steal the money. The impact in Angola alone is staggering, where some 1 million people face starvation conditions and where, according to UNICEF, hundreds of children die from preventable causes daily. There is a clear need to develop the capacity for holding these governments accountable for their expenditure of state resources and it seems clear that to do this there needs to be transparency of revenue streams. To that end, should not public disclosure of these types of payments to governments be the norm everywhere, especially in countries that want foreign aid? Will the State Department support such a proposal at the G-8 meeting in Ottawa in June?

Answer. The United States strongly supports efforts to encourage transparency and counter corruption in Angola. As part of this effort, we have encouraged oil companies to be forthcoming with their data, especially to the IMF. We also have made known to the oil companies that we see value in their being as open as possible with their Angolan data. Nonetheless, we also recognize that these firms are private and that some of the information might be considered proprietary by the company or subject to contractual agreements with the Angolan Government.

The larger question you raise—whether public disclosure of revenue streams from entities such as oil companies should be the norm worldwide—is a complex one, involving legal, political and business concerns. Again, in principle, this is a goal we support, but it is an issue that must be examined in a detailed, interdisciplinary and inter-agency manner. We are looking at this issue now, including in conversations with officials from other key countries, but have yet to reach any conclusions.

Question. Your supplemental request includes military and other aid for Uzbekistan, which has an authoritarian, Soviet style government. Recently, however, Uzbekistan signed an agreement with the United States which includes a wide range of commitments to implement democratic and economic reforms. Is there any reason why we should not tie our aid to Uzbekistan on its progress in meeting its commitments under that agreement?

Answer. United States assistance to Uzbekistan is designed to fight the war on terrorism and address threats to Uzbekistan's stability such as: drug trafficking, weapons proliferation, poverty, political oppression, and isolation from the outside world. The assistance helps Uzbekistan combat illicit trafficking of weapons and narcotics across its borders and improve military interaction with United States and Coalition forces.

The program also seeks to change the environment in which extremism can flourish. The United States is providing assistance on the grassroots level in Uzbekistan that will improve health care, promote the development of small and medium enterprises, improve water management, provide local social services, expand exchanges to the United States, and support human rights, independent media, and civil society.

We consistently tell Uzbek officials that our ability to continue higher assistance levels depends on demonstrated progress in economic and democratic reform, and we are closely monitoring Uzbekistan's fulfillment of its commitments under all our bilateral agreements. While some reforms are clear prerequisites for the disbursement of funds, it would be counter-productive to condition assistance in general on Uzbekistan's progress on meeting specific reform commitments.

FISCAL YEAR 2003 BUDGET REQUEST—PEACEKEEPING

Question. At a time when peacekeeping seems to be increasing in importance around the world—including a critical mission in Afghanistan and calls for peacekeepers in the Middle East—why has the President's budget request for this account been cut by almost \$30 million from last year's level?

Answer. Fiscal year 2003 PKO levels reflect a different approach since September 11. We have to address problems that are frequently the genesis of extremism and this requires shifting resources. We are requesting significant increases in development assistance and other accounts to address these problems in a more fundamental way. Additionally, increased stability in the Balkans and in Sierra Leone yields reduced anticipated PKO requirements.

ASSISTANCE FOR EASTERN EUROPE

Question. U.S. assistance programs, coupled with a strong NATO security presence, have been critical to promoting peace and prosperity in the Balkans. The fiscal year 2003 budget request cuts the SEED account by \$126 million, which some believe is too deep. In your view, what type of impact will this reduction in U.S. aid have? What about cuts in peacekeeping operations in that region?

Answer. Since the fall of the Iron Curtain in 1989, the United States has provided over \$5 billion in assistance to the emerging democracies of East and Central Europe. The 20 percent reduction—in funding proposed for the SEED (Support for East European Democracy Act) account (from \$621 million in fiscal year 2002 to \$495 million in fiscal year 2003) is possible because of two things. The first is the success our partners and we have had in creating stable, democratic, market economies in the region. The second is the fact that all of these countries are now in line for possible future membership in the European Union. This means that a larger share of assistance to these countries will come from Europe in the future.

In several countries of Southeastern Europe, a good deal of work remains to be done. The \$495 million requested for that purpose is a clear indication that the United States will remain engaged in solving the problems of the region.

FISCAL YEAR 2003 BUDGET REQUEST—ASSISTANCE FOR THE FORMER SOVIET UNION

Question. Programs funded by the FSA account have become critical in advancing U.S. foreign policy goals—especially in light of the war on terrorism and Islamic extremism in Central Asia. Why has the FSA account been cut by almost \$30 million in the President's budget request?

Answer. We completely agree that the FSA account is critical to advancing U.S. foreign policy goals, including our efforts to combat terrorism and Islamic extremism in Central Asia. The President requested \$755 million for this account in fiscal year 2003, as compared to the fiscal year 2002 appropriated level of \$784 million.

However, approximately \$35.5 million in non-proliferation activities that are funded under the FSA in fiscal year 2002—parts of the Export Control and Related Border Security (EXBS) Assistance and Redirection of Biotechnical Scientists programs—have been proposed to be funded from the Nonproliferation, Anti-terrorism, Demining and Related Activities (NADR) account in fiscal year 2003.

For purposes of comparing the FSA account fiscal year 2002 and fiscal year 2003 levels, therefore, one must reflect this proposed allocation from the NADR account. On a strictly comparable basis, the President's fiscal year 2003 request represents an increase over fiscal year 2002 levels—from \$748.5 million to \$755 million.

Question. First the Clinton Administration decided to open the door to the sale of F-16s to Chile. Now Brazil appears to be on the verge of buying its own advanced fighter aircraft, with AMRAAM missiles. Are we seeing the new arms race in South America that everyone wanted to avoid? And none of those countries can afford?

Answer. Chile and Brazil are both mature and stable democracies. They, like us, are entitled to review their own security needs in light of available resources. Both governments underwent a long and extensive process to decide on these military acquisitions. They are transparent in their policies toward their neighbors and with the United States.

Since 1997 the U.S. Government has abided by our global policy of not introducing Advanced Radar Beyond Visual Range (AR-BVR) missiles to regions such as Latin America where they have not been previously introduced.

If the countries of the region were to adopt a voluntary agreement to restrain purchases of ARBVR missiles, we would be fully supportive of their decision.

Question. There are reports that East Timor expects a budget shortfall of at least \$150 million over the next 3 years. At the donors conference in May, is the Administration going to work to make sure that most—if not all—of this shortfall is covered by the international community? The United States has invested a lot to help get East Timor headed in the right direction. Why has the Administration proposed nearly a 25 percent cut in aid to East Timor for fiscal year 2003, when it only just elected its first president?

Answer. The United States Government is committed to aiding East Timor in its reconstruction and development. U.S. bilateral assistance from 1999 to the present already totals \$179 million. Additionally, the U.S.-assessed contributions for administrative and peacekeeping costs for the U.N. Transitional Administration in East Timor (UNTAET) are over \$300 million.

At the East Timor Donors Conference in Dili May 14–15, the United States delegation urged East Timor to exercise fiscal restraint and to produce a responsible budget to minimize burdening itself with debt. We are working with other international donors and the World Bank to establish a fund to cover East Timor's ex-

pected budget deficit. The expected revenue shortfall over the next 3 years has been revised downward from \$154–\$184 million to \$90 million. At the conference in Dili we pledged to provide \$4 million (almost 15 percent of the anticipated deficit this year) to cover East Timor's revenue shortfall. Other donors followed suit, and a total of \$82 million was pledged towards the anticipated deficit of \$90 million.

The reduction in our request for aid to East Timor, from \$25 million to \$19 million, for fiscal year 2003 reflects a phased reduction in spending on the coffee cooperative project as the Timorese develop the capacity to assume overall management of the program. The reductions in assistance for East Timor and elsewhere also reflect a greater effort to identify funds for reconstruction and redevelopment in Afghanistan.

Question. In your opening statement, you mention the positive impact that free trade can have on economic development in poor countries, especially Africa. However, Oxfam recently released a report—in favor of free trade—that showed that developing countries exporting goods to wealthy nations face tariff barriers that are four times higher than those encountered by rich countries.

The Washington Post said this “is embarrassing to the Bush administration, which despite its free-market rhetoric has been reluctant to challenge politically powerful U.S. industries such as textiles that benefit from tariffs protecting their goods from low-cost foreign competition?”

I know that trade is not your primary responsibility. However, are Oxfam's findings accurate? What is the Administration doing to remove unfair trade barriers on poor countries?

Answer. The Administration recognizes that developing countries' full participation in the global trading system is essential to their continued economic growth and development. As President Bush said in Monterrey, “to be serious about fighting poverty, we must be serious about expanding trade.” We are committed to pursuing further market opening through implementation of the WTO agenda developed in Doha last fall, and the passage of the TPA will help achieve this goal in a number of sectors. It should also be noted that the United States' tariffs and agricultural subsidies are already much lower than those of most other countries both developed and developing.

On a bilateral and regional basis, we have given full support to several congressionally mandated programs, that offer less developed regions enhanced access to the U.S. market—the Africa Growth and Opportunity Act (AGOA), Caribbean Basin Initiative (CBI), and the Andean Trade Preferences Act (ATPA) to name a few.

Developing countries often have difficulty making full use of the enhanced market access opportunities available, as they lack the capacity to exploit them. Therefore, in support of the U.S. Market access initiatives noted before, and other trade related programs, we are also committed to offering less developed countries technical assistance and capacity building project support so that these countries can fully engage in and benefit from the global, multilateral trading system. According to a survey conducted by USAID last year, the United States provided \$1.3 billion in trade capacity building technical assistance to developing countries between 1999 and 2001.

Regarding the Oxfam report's criticism of developed country barriers to imports of poor countries, we strongly believe that the way to bring down those barriers is through WTO negotiations launched last November at Doha. Many of the measures called for in the report—reduction in farm subsidies, the elimination of tariff peaks, the elimination of duties and quotas on products from the least developed countries—are in fact on the table as part of the Doha Development Agenda negotiations.

Question. After September 11, we appropriated \$600 million in budget support for Pakistan, with the expectation that those funds would be used to improve health and education. At the time, many of us expressed concern about corruption in Pakistan, and how these funds would be monitored.

In the supplemental, we are asking for another \$145 million for Pakistan, for military aid, law enforcement, and economic development.

What has been done with the \$600 million? Who is keeping track of it to be sure it is used for what we intended.

Answer. A letter of agreement between the United States and Pakistan on use and monitoring of the \$600 million was signed in November 2001. It was agreed that the equivalent in local currency would be used for social sector programs in education, health and rural employment. Our Embassy and USAID have been in regular contact with Pakistani officials and the donor community on the use of these funds. The Ministry of Finance recently submitted a detailed report that summarizes the considerable work done by the GOP thus far to administer the grant. From the report and subsequent discussions, it is evident that the GOP has made available

almost the entire grant to officials responsible for implementing the programs and has in place a system for monitoring. The IMF and the World Bank report that the money is getting out to the local areas for which it is intended. The United States and other donors continue to work closely with the GOP to ensure that the funds actually reach the local level through the newly devolved political and administrative authorities. We have no reports of the funds being channeled into unacceptable programs or misused by any of the recipients, but we are monitoring the situation closely.

EDUCATION

Question. Since September 11th, one thing Republicans and Democrats seem to agree on is that we should be spending a lot more to support secular education for children in countries with significant Muslim populations. Why was that not included in your supplemental request, since it is not part of your fiscal year 2003 budget?

Answer. Increasing efforts to improve education in countries with significant Muslim populations is part of both our 2002 supplemental request and fiscal year 2003 request.

The U.S. Agency for International Development (USAID) and the Department's Bureau of Educational and Cultural Affairs (ECA) both promote international cooperation with Muslim populations in the field of education, including assistance to academic and administrative staff and students.

In fiscal year 2002, the Department has redirected 5 percent (about \$12 million) of new exchanges budget authority (\$237 million) to combating the root causes of terrorism. Our fiscal year 2003 request maintains that level. In addition, the Department's 2002 supplemental request includes an additional \$6 million for improving education and promoting democracy and universal human rights among Muslims.

USAID helps its partner countries develop effective education policy and delivery systems at all service levels to produce the human resources required to support growth and to reduce poverty. These efforts reflect the Agency's recognition of the crucial role education systems play in the economic and social development of poor countries and countries in transition. In fiscal year 2003, USAID will fund education sector interventions in over 40 percent of the countries where there are USAID missions. A total of \$333 million from all funding sources is available in fiscal year 2003 for education support, and an additional \$60 million in special education initiatives (e.g., in Pakistan and Afghanistan).

USAID takes a cross-sectoral view of national, subnational and community education sector development grounded in policy reform and systems development based on the host-country's framework for political and economic development. The strong focus of USAID's education support is on basic education for children and the goals of the Dakar Framework of Education for All (EFA). USAID support for education is in countries most at-risk for not meeting EFA goals.

The regions at greatest risk of not meeting EFA goals are sub-Saharan Africa and South Asia with 80 percent of the out-of-school, primary-school-aged population, and the Middle East and North Africa with wide gender disparities. Many of these countries that are most at risk are those with a large Muslim population. In the aftermath of September 11, there is a growing interest within USAID to better support the educational needs and aspirations of the Muslim world in a way that modernizes pedagogy and curriculum, while building on the strengths and ideals of their religious, social and cultural traditions.

Current education support in countries with significant Muslim populations includes Nigeria, Mali, Guinea, Benin, Uganda, Malawi, Egypt, Morocco, and Yemen. New education reform programs are budgeted for Kazakhstan, Tajikistan, Turkmenistan, Bangladesh, Pakistan and Afghanistan in fiscal year 2003, and in Indonesia with supplemental fiscal year 2002 funds. Up until mid-May, USAID had been planning for education interventions in Somalia.

In addition to basic education interventions, USAID supports short-term training and higher education collaborations in USAID countries, and student exchange programs such as Seeds of Peace for children from the Middle East.

Question. What programs can the United States support to create a more moderate generation of Palestinian leaders?

Answer. The U.S. funds numerous Palestinian NGOs and civil society organizations which strengthen the rule of law and help develop democratic processes. Our most important program in this area is TAMKEEN, a 5-year, \$33 million project providing grants to Palestinian civil society organizations working to develop democratic institutions and capacity building for NGOs. TAMKEEN has awarded dozens

of grants to increase the competence of Palestinian civil society organizations, increasing their capacity to manage their operations and better serve their constituencies. USAID support for the Palestinian Academic Society for the Study of International Affairs (PASSIA) trains civil society leaders in policy analysis, communication skills, strategic planning, management and conflict resolution. The project also provides a structured, national-level dialogue forum for the discussion of democracy and rule-of-law issues. A recently-completed \$1.2 million Civil Society Capacity-Building Project implemented by the American Development Foundation was focused on building the financial management and internal governance capacities of membership-based civil society organizations.

These and other programs remain an important focus of our USAID program in West Bank and Gaza, and we believe they are critical to creating the environment in which the next generation of moderate Palestinian leaders will emerge.

Question. How does Saudi Arabia plan to distribute the \$100 million raised for Palestinians during the recent 3-day telethon held in that country?

Answer. The Saudis have told us that the donations were a combination of cash and in-kind contributions, such as trucks and foodstuffs. According to the Saudis, because there are no Saudi organizations operating in the West Bank and Gaza, they plan to distribute these contributions through international organizations such as the Red Cross/Red Crescent and the United Nations.

Question. Given the dislocation of extremists in South Asia and Southeast Asia, is there any evidence that Cambodia is being used as a transit point or safe haven for terrorists?

Answer. The available evidence suggests that Cambodia is a transit point for human smuggling and trafficking in persons to other points in Asia by organized networks. Well-documented cases demonstrate the trafficking of groups from South Asia and the Middle East through Cambodia for purposes of economic migration. Given Cambodia's porous borders and modest immigration controls the possibility that it is a transit point for terrorists on an isolated basis cannot be ruled out. Although we have no concrete information to indicate that Cambodia is being used by terrorist networks, we cannot ignore the possibility that Cambodia, as with other places in the region, could be so used.

Question. Which elements of the Royal Government of Cambodia, including the military and police, are involved in—or are profiting from—the narcotics trade? Is Prime Minister Hun Sen profiting from the trade?

Answer. Some elements of the Cambodian police and military are confirmed to be involved in the narcotics trade. However, senior Cambodian officials proclaim their intention to interdict illegal narcotics trafficking and production, and the Prime Minister last fall dismissed the former chief of Cambodia's national drug control office in a move that may have been prompted by corruption concerns. We have no evidence to indicate that Prime Minister Hun Sen is profiting from the narcotics trade.

Question. Is there any evidence that suggests Cambodian banks are involved in the laundering of terrorist finances?

Answer. The Royal Government of Cambodia has reported to the United Nations that it is cooperating fully in the global effort to freeze the assets of terrorist groups, including both those entities specified by the United Nations under UNSC 1373 and additional entities named by the United States. The available evidence suggests that the National Bank of Cambodia is giving its fullest cooperation in identifying and investigating suspect entities, although its own resources and capacity to conduct independent investigations are limited. Moreover, Cambodia has announced that it is in the process of ratifying the Convention for the Suppression of the Financing of Terrorism.

Question. How does the Administration ensure that food and HIV/AIDS-related assistance provided to the Cambodian people is not politicized by the ruling Cambodian People's Party?

Answer. The U.S. Government provided \$17 million in assistance to the U.N. World Food Program (WFP) this past year to feed some 1.7 million people in Cambodia. In recent remarks related to this donation, the WFP Country Director stated that the food would be used for victims of flooding and poverty, rural development through food-for-work programs, as well as for the support of other emergency projects, all under the careful supervision of WFP. About \$10 million in assistance for HIV/AIDS programs is administered through USAID, which follows regulations and guidelines about the proper distribution of benefits to the Cambodian population. It is not the policy of the U.S. Government to permit its humanitarian assistance to be used for political gain; we shall continue to remind the Royal Government of Cambodia of our policy.

QUESTIONS SUBMITTED BY SENATOR MITCH MCCONNELL

YUGOSLAVIA COOPERATION

Question. Do you agree that in determining whether the Serbs are cooperating with the War Crimes Tribunal, the opinion of the war crimes prosecutor should be given considerable weight, and that we need to see steady progress?

Answer. The Prosecutor of the International Criminal Tribunal for the Former Yugoslavia (ICTY), Carla Del Ponte, and other ICTY officials have valuable insight on the issue of cooperation by the Government of the Federal Republic of Yugoslavia (FRY) with the ICTY.

We welcome recent steps on cooperation with the ICTY, including the passage of a law on cooperation, facilitation of voluntary surrenders, and the issuance of arrest warrants for indictees. However, we have repeatedly stressed that cooperation is a process, not an event. We continue to urge the FRY Government to fulfill its international obligation to cooperate fully with the ICTY. All persons indicted for war crimes, including Ratko Mladic and Radovan Karadzic, must answer the charges against them.

ISRAEL

Question. Given increased attacks on Israel's northern border, what is your assessment of the risk posed by Hizballah to Israel's security, and what assurances have Syria and Lebanon given that these attacks will end?

Answer. We remain very concerned about the potential for dangerous escalation along the U.N.-demarcated line of withdrawal between Israel and Lebanon—the "Blue Line"—and we have been actively engaged at the highest levels to prevent it. During the first two weeks of April, Hizballah launched almost daily shelling and rocket attacks on fortified IDF positions in the Sheba Farms area straddling the Blue Line. During the same period, Palestinian terrorists operating in Lebanon launched several rocket attacks against Israel and Israeli-occupied territory. These attacks marked the most intense violence along the border since Israel withdrew from Lebanon on May 24, 2000. Our high level messages to Lebanon and Syria, including the Secretary's April 15 visit to Beirut and Damascus, urged these governments to take actions to restrain Hizballah and Palestinian terrorists, and our efforts brought results. Since April 13, there has only been one Hizballah attack (on April 26) and the situation along the Blue Line has remained relatively calm. We continue to call on all sides to exercise restraint and urge them in the strongest terms to avoid actions that risk provoking a dangerous cycle of escalation that would be in no one's interest.

Question. Does the Administration consider Israel to be a front-line state in the war against terrorism?

Answer. Israel has been engaged in a decades-long struggle against terrorism and the United States has always supported Israel's right to defend itself. After September 11, the Administration developed a list of front-line states to support our war on terrorists of global reach. Israel has long been and remains a close counter-terrorism partner but is not a front-line state.

Question. How would you describe the relationship between the PLO and the PA with Iran, and is there evidence that additional arms shipments from Iran are destined either directly or indirectly to Palestinian extremists?

Answer. The Iranian Government has long opposed the willingness of the PLO and PA to negotiate with Israel. In addition to its support for Hizballah, Iran has also provided varying degrees of aid to Palestinian Islamic terrorist groups such as the Palestinian Islamic Jihad (PIJ) and HAMAS. The weight of evidence is compelling with respect to Iranian involvement in the attempt to smuggle arms to the PA on the Karine A.

We continue to monitor closely Iranian activities in this area.

Question. Excluding Iraq's \$25,000 payments to the families of homicide bombers, what assistance have other Arab countries pledged or delivered to the PLO, PA, or the Palestinian people?

Answer. Arab governments have disbursed nearly \$500 million annually in direct budgetary support to the Palestinian Authority, and at the April 25 donors conference in Oslo, they pledged to continue this support at least through the end of this year. Saudi Arabia and the UAE are the principal Arab providers of PA budgetary support.

Given the Israeli suspension of VAT and customs revenue reimbursements to the PA, these contributions for budgetary support enable the PA to continue basic operations and pay salaries to PA employees. (The PA is the largest single employer in the West Bank and Gaza, and termination of Arab states, budgetary support would

have a calamitous effect on Palestinian unemployment levels.) In addition, Arab states have contributed hundreds of millions of dollars in project support, both bilaterally and through the Islamic Development Bank. The IDB and major Arab donors are regular participants in the international donor coordination process, and have played a vital and constructive role in Palestinian economic development.

Question. How effective have the Congressionally-imposed sanctions against Serbia been in securing the arrest and transfer of Slobodan Milosevic to The Hague and the release of ethnic Albanian political prisoners in Serbian jails?

Answer. FRY and Serbian authorities have instituted a process for cooperation with the International Criminal Tribunal for the Former Yugoslavia (ICTY). The authorities in Belgrade have already taken several steps under this process to cooperate with ICTY and have committed to a range of others. We are in constant dialogue to convince them to move forward on a full range of reforms to institute democracy and rule of law and have encouraged our allies to deliver the same message. At times, conditions on our assistance have been helpful in focusing Belgrade on specific areas of concern and in providing additional pressure to force politically difficult decisions. However, these same conditions can also make things more difficult for those reform-minded politicians that we are most interested in supporting. Our goal remains a continuous, year-round process of cooperation with ICTY and Belgrade acting as a good neighbor in the region.

PRESIDENT ALIYEV'S HEALTH

Question. Given President Aliyev's health troubles, how would his untimely demise impact the ability to secure a political settlement to that conflict—and are there any other leaders in Azerbaijan that have the political stature necessary to successfully negotiate a solution?

Answer. Both President Aliyev of Azerbaijan and President Kocharian of Armenia have been personally engaged, deeply and intensively, in the search for a solution to the Nagorno-Karabakh conflict. Were either to pass from the scene, progress towards that solution would be at least temporarily retarded—as occurred, for example, when President Ter-Petrosian was succeeded by President Kocharian in 1998.

ARMENIA

Question. What confidence building measures are being considered by State as workable between all parties to the Nagorno-Karabakh conflict, and what costs are associated with these measures?

Answer. As a Co-Chair of the OSCE Minsk Group, the United States supports measures designed to build confidence between the peoples of Armenia, Azerbaijan and Nagorno-Karabakh. The United States currently supports newly-established mine action centers and the training of local humanitarian de-mining teams in both Armenia (\$1.5 million in fiscal year 2002) and Azerbaijan (\$1.1 million in fiscal year 2002). These programs will enable each country to address a legacy of mines and unexploded ordinance that threatens civilians and hinders economic development in the region. The United States also funds humanitarian de-mining activities in Nagorno-Karabakh (\$300,000 in fiscal year 2002). The United States has also budgeted \$1.5 million for de-mining and structural repairs to a water project on the Armenian side of the border; once completed, the project would provide water to farmers in both Armenia and Azerbaijan.

Although the Minsk Group Co-Chairs have discussed a wide range of confidence-building measures with officials in Armenia, Azerbaijan and Nagorno-Karabakh, the parties have not been able to agree on terms for projects that require cross-border cooperation. The parties have been more receptive to coordinated-yet-independent projects that do not require direct interaction, such as a rodent-control project along the line-of-contact that will benefit villages in both Armenia and Azerbaijan. The Co-Chairs will continue to explore options for promoting measures, designed to improve communications and reduce tensions among all parties to the conflict.

TURKEY

Question. How can Turkey be best persuaded to open a rail link that runs from Turkey through Armenia, and onto Georgia and Azerbaijan? Will such a rail link contribute to America's war on terrorism?

Answer. The United States is a strong proponent of helping all sides in the south Caucasus region work towards building a peaceful, prosperous and stable future for all the peoples of the region. We actively support the efforts of Armenia, Azerbaijan and its neighbors in finding a permanent and fair settlement to the Nagorno-Karabakh dispute, and are encouraged by the recent trilateral meeting in Reykjavik between Turkey, Armenia and Azerbaijan.

We support the normalization of relations between Turkey and Armenia, which will bring with it a natural increase in trade, communication and transportation links, including rail connections. Agreement by all sides to expand trade in the region would foster greater economic opportunity and contribute to political stability. This would contribute to U.S. objectives for the region, including the war on terrorism. We are pleased with the recent increase in bilateral contacts between the two countries, and have told both we support normal crossborder activity including opening the railroad.

UKRAINE

Question. What is State's assessment of respect for the rule of law in Ukraine, and what difficulties are United States businesses encountering in that country?

Answer. Respect for the rule of law in Ukraine is uneven at best. Although the Constitution provides for an independent judiciary, the judiciary is subject to considerable political interference from the executive branch and also suffers from corruption and inefficiency. We have pressed Ukraine to create a business environment grounded in the rule of law in order to attract investment. Though some progress has been made, poor corporate governance, including inadequate protection for shareholder rights, and the lack of confidence in investors, ability to enforce commercial agreements and defend their legal rights remain the biggest impediments to increased investment.

United States businesses operating in Ukraine stress the need to improve the overall transparency of the regulatory and decision making processes, to ensure consistent application of laws, and to provide for an independent judiciary. These issues will continue to be a focus for our bilateral discussions.

Question. Given the difficulty United States NGOs have encountered in registering with the Ukraine Government, should a portion of assistance be withheld to stimulate greater cooperation?

Answer. The Government of Ukraine has voiced objections to the registration of several civil society activities administered by United States NGOs. In our meetings with the Ukrainians, we have stressed that the United States must be assured that it can work across a full range of assistance areas, and that we view democracy and civil society development as an integral part of our overall assistance program to Ukraine. In particular, we have warned the Ukrainians that failure to register these projects, which are standard elements of USAID programs elsewhere in the world, could have repercussions for the rest of our assistance.

After extensive discussions, the Government of Ukraine registered three of the five projects in question. To date, we have been unable to resolve several outstanding issues concerning the remaining two projects, which are being implemented by the National Democratic Institute and International Republican Institute. We are currently engaged in intensive discussions with both the implementers and the Ukrainian Government in an effort to reach a solution agreeable to all sides.

BURMA

Question. What is your assessment of Japan's support for democracy in Burma, and what measures has the Administration taken to shore up support for the National League for Democracy?

Answer. The United States and Japan share the same goals in Burma: transition to a civilian, democratic government and national reconciliation. Both endorse humanitarian assistance programs in non-governmental channels. However, the United States and Japan differ on the timing of development assistance. We believe development assistance now is premature.

The United States closely coordinates our policy toward Burma with other like-minded countries in order to formulate the most effective support for democracy and political reform. Most recently, the United States participated in a multilateral meeting at the United Nations with U.N. Special Envoy Razali on how to move the talks in Rangoon forward. There was broad agreement that the release of Aung San Suu Kyi was an event to be welcomed, but that other significant concrete steps would be needed before going beyond humanitarian assistance.

Question. Are grants provided to the National Zoo's CRC Foundation by the U.S. Fish and Wildlife Service to protect elephants in Burma in compliance with U.S. policy objectives toward Burma?

Answer. Grants provided to the National Zoo's CRC Foundation by the U.S. Fish and Wildlife Service to protect elephants in Burma are wholly consistent with U.S. policy objectives toward Burma. The funds go to independent non-governmental or-

ganizations for conservation activities and are not used in any way by the Burmese Government.

COLOMBIA

Question. What financial commitments has the current Colombian Government made to this pipeline protection initiative, and is the initiative part of a broader, unified strategy to counter the FARC and paramilitaries?

Answer. The Government of Colombia (GOC) recognizes that reducing terrorist attacks on the Cano Limon pipeline—and the resulting economic losses—is crucial to its efforts to meet the country’s overall security and social needs. To do so, the GOC is: (1) creating a new brigade, the 5th Mobile Brigade, to provide enhanced protection for the Cano Limon pipeline; (2) developing a plan to increase police presence in the area and establish a special counterterrorism unit of the Prosecutor General’s Office; (3) training the first of 62 special “Carabiniero” squadrons, with each having 150 police officers (the first three squadrons will be assigned to Arauca Department, where the pipeline originates); and (4) undertaking various social action projects through the Colombian Investment Fund for Peace, an autonomous State agency, with 64 projects, whose budgets total \$2 million, already being executed. The Arauca “Carabiniero” squadrons are part of a Colombian national strategy to increase security and the rule of law through the re-insertion of Colombian National Police into zones of conflict.

Question. Does this assistance draw the United States into the middle of Colombia’s civil war? What is our exit strategy?

Answer. No. The United States strongly supports Colombia’s programs to combat narcotrafficking and terrorism, promote socio-economic development, strengthen democratic institutions and protect human rights. This pipeline protection proposal was developed to help Colombia recover the nearly \$500 million in royalties and revenues that it lost in 2001 due to terrorist attacks on the pipeline. Reducing these losses will provide the Colombian Government with more resources to invest in its efforts to meet the security, social and economic needs of its citizens.

If Congress approves the new authorities that have been requested, U.S. personnel are expected to perform essentially the same roles that they have over the past two years in implementing our support for Plan Colombia. This would include providing training and equipment, and logistical and intelligence support to human rights-vetted units of the Colombian security forces. We are also committed to maintaining the ceilings on U.S. permanent and temporary military personnel and U.S. civilian contractors providing support for Plan Colombia.

The programs and new authorities we have requested will help strengthen Colombia’s ability to defeat narcotrafficking and terrorism. However, this is clearly a commitment that will require the United States to provide Colombia with substantial assistance over a multi-year period.

COLOMBIA—PLAN COLOMBIA ASSETS

Question. How will the proposed diversion of assets from Plan Colombia impact counternarcotics efforts?

Answer. The Administration’s fiscal year 2003 budget request includes \$98 million in Foreign Military Financing (FMF) for Colombia to provide training and equipment to enhance the Colombian military’s ability to protect the strategic Cano Limon-Covenas pipeline. The counter-terrorism supplemental submitted to Congress also requests \$6 million in FMF to begin some of this training earlier. Because the proposed critical infrastructure protection program will be funded through FMF, it will not compete for Colombian counternarcotics funds or draw from fund sources that have traditionally supported counternarcotics activities in Colombia.

Additionally, rather than siphoning off resources, we believe that this initiative will help the Government of Colombia preserve and put to productive use resources that are currently lost through acts of terrorism. In 2001, the pipeline was attacked 170 times, causing it to be shut down for 240 days and costing Colombia nearly \$500 million in lost revenues and royalties. Helping Colombia prevent further disruption of this important revenue source will allow the Government of Colombia to generate major resources to meet pressing social, developmental and security needs. In turn, increased Colombian investment in these areas is key to accomplishing our long-term goals in Colombia: reinforcing democracy, reestablishing the rule of law, strengthening the legal economy, and reducing the production and trafficking of illegal drugs.

COLOMBIA

Question. When President Pastrana was in town last week, he indicated to members and staff of this Subcommittee that his top priority was the resumption of the air interdiction program in Colombia. Where does the pipeline security proposal rank in terms of his priorities?

Answer. President Pastrana publicly requested U.S. assistance for pipeline security in October, 2001 and Colombian officials had begun discussions with us on this project even earlier. The Colombian Government clearly recognizes that reducing its losses from terrorist bombings of the Cano Limon pipeline is a key factor in developing the resources it needs to address the country's security, economic and social problems. President Pastrana has also repeatedly stated that he considers the air interdiction program in Colombia an important component in the efforts our two countries are making to reduce the flow of narcotics to the United States and one which he hopes to see resumed as quickly as possible.

Question. Is it prudent to embark on a new policy direction in Colombia when elections are scheduled for May of this year, and a new administration will take office in August? Do we know the policy directions of the new administration, and can we hold an incoming administration responsible for commitments made by President Pastrana?

Answer. Widespread Colombian dissatisfaction with the FARC's failure to negotiate seriously and its continuing outrages culminating in the hijacking of a civilian airliner and kidnapping of a prominent senator, prompted all of Colombia's leading presidential candidates to back strongly President Pastrana's February 20 decision to end talks with the FARC as well as to strengthen and professionalize Colombia's military.

We have also found broad support among the candidates for continuing the general thrust of U.S. policy: counternarcotics, counter-terrorism, improving human rights conditions, and improving Colombia's economic situation. All have backed President Pastrana's request that equipment provided by the United States for counter-narcotics efforts be used for counter-terrorism as well.

Our aim is to continue our excellent relations with President Pastrana while laying the groundwork for our policies to transition smoothly into the next Colombian administration. We have already engaged the leading presidential candidates on these issues, and will hold more intensive talks with the president-elect after Colombia's elections.

Question. In your statement, you say the ". . . the Government of Colombia must also fully commit to this task [of combating terrorism]". What is your assessment of the government's track record in fulfilling previous obligations, specifically as they relate to Plan Colombia?

Answer. The Government of Colombia is well on its way to funding its commitment under Plan Colombia, having spent \$2.6 billion for Plan Colombia-related infrastructure projects, including a hospital in Puerto Guzman, a school in Orito and a farm to market road in Mocoa, as well as projects regarding human rights, humanitarian assistance, local governance, and the environment. Colombia has also spent \$426 million on social services and institutional development, including family subsidies and programs for job creation and youth training.

The Government of Colombia's contribution to Plan Colombia is being used for counterdrug efforts and social and economic development projects. These projects include social and infrastructure programs in Putumayo Department, in southern Colombia, the site of the heaviest concentration of coca growth. Colombia has also continued to modernize its armed forces, boosting the number of professional soldiers from 22,000 to 53,000 and acquiring new equipment. It has stabilized its economy in accord with IMF guidelines; and undertaken an aerial eradication program resulting in the destruction of unprecedented amounts of coca.

The Colombian Government is unquestionably committed to resolving the crisis. President Pastrana's long commitment to the peace process and his eventual decision, after much deliberation, to reestablish control of the demilitarized zone were born of that commitment.

Still, Colombia needs to do more. Colombia currently spends approximately 3.5 percent of GDP on security, a figure that is not sufficient for a country facing the security threat posed by Colombia's terrorist groups. We have stressed in our meetings with senior Colombian Government officials that Colombia needs to increase the resources it devotes to security, and we have also begun a dialogue with the leading presidential candidates on this issue.

CAMBODIA

Question. What is the Administration's assessment of narcotics production and trafficking in Cambodia, and does State share the U.N.'s assessment that the country has become a major heroin smuggling route to the West?

Answer. Cambodia, although not a major producer of opiates or coca-based drugs, is a transit route for Southeast Asian heroin to overseas markets including Australia, Europe, and the United States. There is little hard information on the scale of heroin trafficked through Cambodia, but the amount of heroin seized in the United States in recent years that is traceable to or through Cambodia is small.

Marijuana is cultivated mainly for export, but is well below the quantities specified for countries on the majors list. Quantities coming to the United States are not sufficient to have a significant impact on the United States.

In the past couple of years Cambodia has experienced, especially in urban areas, a rapid and significant increase in amphetamine-type stimulant abuse, which the government has characterized as a serious social problem.

AFGHANISTAN

Question. What is the level of development that the Administration hopes to achieve in Afghanistan?

Answer. We hope to rebuild the political and economic framework that will prevent the return of terrorism, fight drug trafficking and avert large-scale humanitarian crises. The first step in this process is to address immediate needs—humanitarian and security.

NEPAL

Question. What are the linkages, if any, between the Maoist insurgents in Nepal and al-Qaeda?

Answer. The State Department has no evidence linking the Maoists to al-Qaeda. Nevertheless, Nepal's brutal insurgency threatens to bring further instability and human suffering to South Asia, a critical front in the war on terrorism. There is growing concern that the instability resulting from the insurgency might provide the conditions under which terrorists operating in the region could find safe haven in Nepal.

Question. Does any conclusive evidence exist that demonstrates migration of extremists from Afghanistan or Pakistan to Nepal?

Answer. The State Department has no evidence linking the Maoists to any extremists specifically emanating from Pakistan or Afghanistan. Nevertheless, Nepal's brutal insurgency threatens to bring further instability and human suffering to South Asia, a critical front in the war on terrorism. There is growing concern that the instability resulting from the insurgency might provide the conditions under which terrorists operating in the region could find safe haven in Nepal.

MIDDLE EAST ECONOMIC INITIATIVE

Question. How does this Initiative differ from programs and activities already conducted by USAID and State in the Middle East?

Answer. We will be using the \$50 million requested as part of the Administration's Fiscal Year 2002 Supplemental Appropriations bill to fund new high impact/high visibility projects immediately in three key areas: economic reform/private sector development; education; and rule of law/civil society. We will, simultaneously, be reviewing all of our existing economic assistance programs across the region to insure that our assistance money is being spent in a manner consistent with our national interest post-September 11.

The supplemental funds will allow us to move immediately to fund quick-disbursing projects in the areas mentioned above. We are particularly interested in insuring the money funds projects that reach people at a grass roots level, where the terrorists themselves are most effectively recruiting. The supplemental funds provide us flexibility to fund new projects immediately, while we undertake the process of reviewing and potentially reprogramming existing assistance projects.

Question. How does the MEEI promote democracy and good governance in the region?

Answer. The MEEI will provide funding for a range of activities that promote democracy, rule of law and good governance. These will include: support for democratic reforms underway in countries like Bahrain, Qatar and Morocco; support for media reform, journalist training and exchange programs; assistance for polling organizations; and funding for think tanks and business associations. We will provide direct election and campaign support, through local and international NGOs, for

new candidates, including women. Funds may also be used to support parliamentary training activities.

Question. Which countries are targeted through the Initiative, and how much of these funds are destined for Egypt?

Answer. All Middle East countries, with the exception of Iran, Iraq, Libya, and Syria are eligible to participate in the Initiative. On the question of assistance to Egypt, although no decisions have been made, we anticipate that its participation in the initiative will be funded largely by redirecting existing assistance programs.

Question. Does the Initiative include promoting free and independent media throughout the Middle East?

Answer. Yes. Exchange and training programs, including for journalists and other media professionals from the region, will be an integral part of the initiative.

MILLENNIUM CHALLENGE ACCOUNT

Question. When does the Administration plan to initiate this Account, and should Congress expect a request for funds for fiscal year 2003?

Answer. The Administration plans to include the Millennium Challenge Account in the President's fiscal year 2004 budget request.

The President's new approach to development gives us an opportunity to show tangible results for U.S. taxpayers' investments in foreign assistance. We hope we can count on your support in promoting this new approach. We look forward to working with Congress as we move forward.

Question. Does the Administration support increased funding for critical rule of law and democracy programs in China, particularly with that nation's entry into the WTO?

Answer. Yes, we support increased funding for rule of law and democracy programs in China.

The United States for many years has stressed the importance of rule of law and has worked to encourage democratic practices. China's accession to the WTO makes progress in these areas even more important, as openness to and integration with the world economy demands a legal system that is insulated from political influence, operates in a transparent manner, and treats all citizens (and officials) as equals. China recognizes some of the shortcomings of its legal system and is seeking to improve upon them. We believe the United States can play a constructive role in helping China move in those directions. In addition to continuing to work on promoting rule of law and democracy in bilateral and multilateral fora, this year the State Department will significantly expand its efforts to support these goals directly with programs in China.

In fiscal year 2001, \$2 million was earmarked for rule of law programs in China; this year that earmark has increased to \$10 million, and the mandate for these funds has broadened to include not only rule of law but also human rights and democracy. The State Department welcomes the opportunity to make an even larger impact on progress in these critical areas, and has focused on programs involving legal reform, rights awareness, and judicial independence, transparency and popular participation in government, and fostering independent government. Democracy, human rights, and rule of law programs are effective as complements to our bilateral human rights dialogue. As long as possibilities to promote these objectives in China continue to expand, we can effectively program increased levels of funding.

Question. The upcoming Chinese leadership retreat this summer is expected to yield changes in official Chinese Politburo positions. Do you expect these changes to strengthen the hand of economic reformers, or will hard-line elements within the Politburo emerge?

Answer. Events including the retreat at Beidaihe in the summer, the 16th Party Congress in the fall, and the 10th National People Congress next spring are projected to result in significant changes in China's leadership. We do not expect the leadership changes to lead to any reversal of the long-term policy course of economic reform originally set out by Deng Xiaoping. The process of economic reform, symbolized by China's entry into the World Trade organization in December 2001, has advanced China's national interests. If there were negative developments in the global or Chinese economies, this could cause setbacks for economic reform in China, but the long-term trend toward increased reliance on market mechanisms rather than central planning is likely to continue.

Question. Chinese Vice President Hu Jintao is widely considered to be a successor to Chinese President Jiang Zemin. What is the Administration's view of Mr. Hu's commitment to economic and political reform within the PRC?

Answer. The Chinese will determine their new leadership, including a successor to President Jiang Zemin, during upcoming meetings this year and in the spring

of 2003. There is every indication that the Chinese Government's commitment to economic reform will be sustained through the course of imminent leadership change in China. Vice President Hu's remarks place him solidly in this mainstream view. With regard to political reform, you will recall that we have consistently urged that Chinese authorities establish and implement international standards of human rights protection. Our annual Human Rights Reports have catalogued our view of the shortcomings in this regard. The Chinese will have to speak for themselves as to the prospect for increased pace and scope of political reform; for our part, we will continue to urge improvements on the ground in China. Moreover, we will continue to urge China's increased interaction with the U.N. Commission for Human Rights and other international organizations that promote fundamental freedoms.

Question. Increasingly, reports of social and economic unrest in the Chinese countryside hint at deep-rooted challenges that face the Chinese Government as it implements economic and other reforms. Do you believe that such unrest can be managed by the Chinese Government without recourse to violence, and has the Administration expressed concern over reports of the use of force to quell dissent in the countryside?

Answer. China has implemented far-reaching social and economic reforms in the last 20 years and faces enormous challenges as it continues to move to a more open economy and society. The United States will continue to urge the PRC to respect the basic human rights of its citizens, which include freedom of assembly, freedom of association, and freedom of speech and conscience. We are aware of recent protests stemming from concerns over economic dislocations and other difficulties. We believe the Chinese Government can and should manage these challenges without resorting to violence. Grassroots elections and good governance are seen as means of defusing tension at the local level. We have repeatedly made it clear to the Chinese Government, through our Human Rights Reports and through high-level exchanges, that the Chinese Government should respect fully both the human rights of its citizens, including the right to peaceful protest, and China's own laws, which mandate direct elections at the village level. We will continue to closely monitor ongoing developments, particularly the Chinese Government's response to protests.

Question. What is your assessment of the state of democracy and the rule of law in Hong Kong?

Answer. In the past year, there was continued public pressure on Hong Kong's political system to evolve toward greater accountability and democratization. Despite the public debate over the pace of democratizing elections for the legislature and chief executive, the Hong Kong Government continued to state that the time was not appropriate to consider changes to Hong Kong's election arrangements. We continue to urge the Hong Kong Government to move forward more quickly to realize full direct elections. We continue to support the advancement of democracy in Hong Kong at a pace that is consistent with the aspirations of the Hong Kong people.

The rule of law and an independent judiciary remain pillars of Hong Kong's free and open society. Since 1999, the Hong Kong Government has not re-used a mechanism requesting that China's National People's Congress Standing Committee reinterpret the Basic Law, Hong Kong's constitution.

CONCLUSION OF HEARINGS

Senator MCCONNELL. That concludes our hearings. The subcommittee will stand in recess subject to the call of the Chair.

[Whereupon, at 12:10 p.m., Wednesday, April 24, the hearings were concluded, and the subcommittee was recessed, to reconvene subject to the call of the Chair.]

FOREIGN OPERATIONS, EXPORT FINANCING, AND RELATED PROGRAMS APPROPRIATIONS FOR FISCAL YEAR 2003

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

NONDEPARTMENTAL WITNESSES

[CLERK'S NOTE.—The subcommittee was unable to hold hearings on nondepartmental witnesses. The statements and letters of those submitting written testimony are as follows:]

PREPARED STATEMENT OF THE INTERNATIONAL REPUBLICAN INSTITUTE

THE IMPORTANCE OF DEMOCRACY ASSISTANCE PROGRAMS SINCE SEPTEMBER 11

Thank you for the opportunity to discuss the importance of democracy assistance programs post-September 11. I would especially like to thank Senator Mitch McConnell for his continued support of these programs.

In a November 27, 2001 testimony to the U.S. Commission for International Religious Freedom Congress, IRI's Vice President Georges Fauriol stated that "in a free society, religious freedom and moral principles associated are fundamental measurements of social conduct, yet their practical application is often caught in crisis." September 11 is a dramatic manifestation of such a crisis.

Indeed, the underlying value system associated with the September 11 terrorist attacks seriously undermines the United States' efforts to create a more democratic, stable, and prosperous world. It underscores the crucial need for assistance programs to expand, strengthen, and achieve sustainable democracies.

The war on terrorism is not only a military struggle but also an ideological one. Through our programs' focus on democratization, IRI addresses terrorism's root causes not solely the symptoms. The need for such democratic assistance is underscored by a single truism: rarely have democracies harbored terrorists.

In our efforts to provide democracy and governance assistance, IRI's point of reference is simple: If no viable political parties operate in a country, political transformation to democracy is limited. Political parties provide a measurement tool for democracy.

Thus, it is a mistake to assume that a broad focus on human rights issues in and of itself may necessarily improve the prospects for democratic governance. Effective democracy assistance must have long-term, proactive institutional engagement outlook which goes beyond dramatic descriptions of human rights abuses.

Indeed, democracy assistance needs to bring about a change in political culture. To achieve this change requires an institutional engagement of political parties and instruments. From such dialogue, a foundation for exercising fundamental freedoms and building vibrant democratic systems will emerge. Without this interaction, terrorism's zealous restrictions on alternative and individual expressions of thought and action will continue. The product of such continued repression will be more conflict.

Thus, U.S. democracy assistance must include programs that exclude cultural relativism and foster institutional engagement of political parties and other instruments.

NEW AND OLD CHALLENGES MESH TOGETHER

A major challenge in IRI's work, even more pronounced after September 11, is the unbalanced support for civil society over political parties. Donor institutions often prefer to support "neutral" recipients and activities. Civil society projects are typically more politically correct, easier to manage, and more open-ended. These projects at times generate a self-perpetuating appetite for involvement and dubious evaluation criteria.

Another challenge is the donors' poor understanding, flexibility and timeliness regarding the importance of political parties. Because the parties are seen as openly engaged in politics, the standards of any support are inevitably tougher, and often result in unnecessary funding delays or missed opportunities. Bureaucrats, practitioners and diplomats often shy away from direct engagement. Instead, they support political parties by exploring partisanship on a wider world stage. Consequently, there are no political party assistance programs sponsored by USAID in Latin America or Afghanistan, among others.

By contrast, shifting investments within civil society is seen as generating a broader base of institutional and communal development. This perception underscores the prevalent view among donors that supporting political party development actually supports a narrower domain, one that assumes a common societal agreement about basic political terms of reference.

THREE PROPOSITIONS

Post-September 11 IRI operates with the following three propositions:

First, the war on terrorism and democracy advancement often overlap, but are not always symbiotic. In executing the war on terrorism, the United States at times engages the cooperation of countries and regimes which may be deficient in democratic practices. There is a need for reconciling a conceptual tension between current U.S. foreign policy interests and long-term democratization interests.

IRI is now able to engage governments in democratic developments that previously were uninterested. IRI's in-country experiences suggest democratization assistance programs and security concerns are equally important. A useful corollary is that in those regions of the world not directly in the focus of the war against terrorism, such as in Latin America, lack of attention of democratic assistance may result in a rollback of democracy-building and a return to authoritarian-style government, with unforeseen consequences.

Second, conventional humanitarian assistance should not be confused with democracy assistance. While agricultural development, health care and food safety for adversely affected populations are very important, they are not fundamental factors in developing democratic systems of governance. Commodity assistance is frequently welcomed by undemocratic regimes, such as the one in Haiti, because these regimes often use it to further their political interests.

Through IRI's individual programs, we strive to develop regional long term strategies for democracy assistance. The long-term United States strategy in Afghanistan and the Central Asia region is unclear besides an USAID humanitarian assistance program focused on developing agricultural commodities. This creates the perception that the United States is not seriously interested in stabilizing the region. In order to demonstrate otherwise, IRI stands ready to expand and strengthen democracy in the wake of September 11.

Third, sequencing between political party development and civil society is critical. In a fundamental democratic equation civil society represents demand and political parties supply. Without political parties, democracy cannot work, and civil society becomes marginalized. Venezuela is a textbook example of how imploding political parties lead to more authoritarian alternatives.

Political parties not only disseminate ideas, demands, and resources, but also link governments to civil society. To effectively govern, therefore, political parties need a democratic infrastructure.

RECOMMENDATIONS

IRI experience with political parties suggests a set of criteria helpful to U.S. policy makers:

- (1) A strategic political party dialogue with diverse segments of the political community has significant payoffs.
- (2) There is a need for a long-term understanding of the societal interests political parties are likely to sustain.

(3) In some special circumstances, political party engagement ensures a residual interest in, or protection of, issues and constituencies in countries viewed by Washington as constituting troubling relationships.

(4) Changing public opinion through democratic political party development positively impacts attitudes towards fundamental human rights and thus toward the stability, legitimacy, and integrity of the democratic system. (5) Sustained engagement might ensure increased credibility and a future brokering role as a goodwill gesture.

More specifically, U.S. Government donor agencies need to recognize that we often operate in crisis environments requiring flexibility and timely responses. Thus funds for democracy assistance should not always be shaped by traditional funding criteria. Simplifying funding mechanisms for crisis situations will greatly help meet the new demands before IRI.

The National Endowment for Democracy (NED), created by President Reagan with bi-partisan support in Congress, is an institution uniquely flexible and knowledgeable to support democracy assistance programs. Supporting the NED with resources to systematically address the new issues facing democracy assistance is an urgent need. New funding mechanisms created at USAID and the State Department would better fund Ned's programs.

In the post-September 11 environment, the United States must penetrate the cultural wall of authoritarianism by vigorously promoting democratic values. To achieve such aims, we need to promote political party programs as well as provide civil society programs and humanitarian assistance.

PREPARED STATEMENT OF THE NATIONAL DEMOCRATIC INSTITUTE FOR
INTERNATIONAL AFFAIRS

The National Democratic Institute (NDI) appreciates this opportunity to present its views on U.S. democracy assistance programs.

PROMOTION OF DEMOCRACY AND U.S. INTERESTS

The worldwide democratic revolution of the 1990s demonstrated the nearly universal appeal of democratic values and cemented a unique leadership role for the United States in advancing those values. A bipartisan policy consensus emerged that nothing better serves the interests of the United States than the promotion of democratic practices and institutions.

Since September 11th, some analysts have argued that strategic considerations should take precedence over policies that promote respect for human rights, religious tolerance and democratic decision-making.

The notion that there should be a dichotomy between our moral preferences and our strategic goals is a false one. The United States' ultimate foreign policy goal is a world that is secure, stable, humane and safe, and where the risk of war is minimal. Yet the undeniable reality is that geostrategic "hot spots" most likely to erupt into violence are found, for the most part, in areas of the world that are nondemocratic.

NDI firmly believes that the United States should attach the highest priority to democratic development as an essential element of its foreign assistance programs. The promotion of democracy should be seen as a robust and necessary element of our strategy to confront the new global threat of terror.

Terrorism and political extremism pose an immediate security threat that must be confronted directly and forcefully. Concurrently there must be a new urgency in the promotion of the rule of law, pluralism and respect for human rights. Democracy and human rights are not only ideals to be pursued by all nations—they are also pragmatic tools that are powerful weapons in the worldwide confrontation of terror and extremism.

In his address to Congress in the aftermath of September 11, President Bush said, "Every nation in every region now has a decision to make. Either you are with us or you are with the terrorists." His warning registered everywhere, precisely because it was universally understood that terrorism is a threat to civilization and those who sustain the threat will suffer the consequences.

Most governments, including undemocratic ones, understand that terrorism threatens them as much as it does the United States. Indeed, many leaders in countries yet to join the democratic community have joined the U.S.-led coalition because terrorism threatens their own survival in power. Our allies in Uzbekistan, Tajikistan, Kyrgyzstan, Kazakhstan, Pakistan, Saudi Arabia, and Egypt have faced political extremism and appreciate what the Talibanization of their societies would mean.

However, the price for their cooperation should not include an open-ended sanction for their governing style, nor should the price of coalition exclude, even unintentionally, support for democratizers.

Political extremists live in a symbiotic relationship with nondemocratic regimes. Autocracy, corruption, and the lack of accountability feed powerlessness, poverty, and despair. Authoritarianism bars change within the system; among its subjects, it produces easy rationales for extra-legal methods. Radical groups cynically exploit the discontent created by such an environment, in which the only outlet for political expression becomes the mosque. Some disaffected people come to relish their role as “fighters” against what they perceive as corruption and repression.

During the 1980s, an important lesson was learned about political transformations in countries like the Philippines and Chile—that political forces on the far left and far right enjoy a mutually reinforcing relationship, drawing strength from each other and, in the process, marginalizing the democratic center. Prospects for peace and stability only emerged once democratic political parties and civic groups were able to offer a viable alternative to the two extremes—a “third way.” These democratic forces benefited from the solidarity and support they received from the international community and, in the United States, Republicans and Democrats joined together in bipartisan efforts to champion their cause.

As the United States pursues its current strategic imperatives with allies like Pakistan, Uzbekistan, Kazakhstan and Egypt, we can also work to promote a “third way” between authoritarianism and religious extremism. As much as the strongmen whose cooperation we need presently, democracy-builders in these countries also are our allies against political extremism. Their voices are important in challenging the misconception that democracy and Islam are incompatible, and they are a force that can build a genuine constituency for peace, development and prosperity.

However, many democratic activists in the Middle East and Asia now fear that they might be caught in a kind of “squeeze play” between governments that are using the call to action against terrorism to root out even benign forms of political participation, and fundamentalists who have always regarded democratic reform as a threat to their vision of a religious state.

The U.S. agenda in these countries can include help for the war effort, as well as support for those working for freedom of speech and expression, for fair elections that reflect the will of the voters, for representative political institutions that are accountable to the public, and for judiciaries that uphold the rule of law.

There are many examples of democracy building successes, even in regions of the world most afflicted by terrorism and extremist violence.

In Pakistan, the Human Rights Commission has been organizing community groups to address problems of freedom of the press and to encourage women to participate in political life. In Uzbekistan, the Human Rights Society is supporting the legal right of political movements to register with the state as official entities.

In Kazakhstan, a coalition of nongovernmental organizations has lobbied the Parliament to overturn legislation that would eliminate the last remnants of independent media. In Egypt, a number of civil society groups led by respected academic Saad Eddin Ibrahim monitored parliamentary elections and reported on abuses.

Harassment or jail has often been their reward, but in all cases, these democratic activists are not trying to overthrow governments—they are trying to take away the lifeblood of extremism by providing political space for debate and peaceful dissent.

FUTURE CHALLENGES

Even in countries which are widely regarded as democratic success stories, “next generation” democracy challenges, such as corruption, economic progress, political party reform, technological issues like e-governance, women, youth and minority participation, leadership development and addressing public apathy and disaffection, must be tackled through greater linkages between the citizenry and political institutions and politicians.

NDI has never believed that democracy promotion is a panacea but sees these activities as one element of a mix of foreign aid and development initiatives that include economic development and socio-political considerations. But economic reconstruction efforts in Afghanistan, for example, are unlikely to succeed in the long term unless democratic political institutions are also developed.

Democracy promotion programs, to be effective, must identify specific challenges in each country, and address those challenges while taking culture, tradition and history into consideration.

It could be demoralizing and ultimately self-defeating to yield ground to those professional cynics who describe democratic development in Hobbesian terms in which war, poverty and autocracy are the natural state of affairs. To them, the promotion

of democracy is at best a distraction. This pessimistic view of the world contradicts the reality on the ground where courageous democrats with outside support can help realize their people's democratic aspirations.

The *realpolitik* approach is to support democratic change and take on the tough work that will lead to stability and economic growth in the long term. Who can doubt that the support the United States provided Solidarity in Poland, the pro-democratic forces in Chile, those struggling against *apartheid* in South Africa or Milosevic in Serbia have not been worthwhile investments in peace and prosperity.

ELEMENTS OF POLITICAL DEMOCRATIZATION

While there is no single model for a democratic political system, the components of a political democratization process are fairly common. Each represents key mechanisms of conflict resolution within a society:

(1) *Civic culture*.—This is the most fundamental level of democracy promotion, where the goal is to educate citizens on their rights and responsibilities.

(2) *Intermediary organizations*.—Citizens' organizations such as labor unions, business groups and other associations are needed. In societies where these groups have not existed, outside assistance to develop them is required.

(3) *Political parties*.—These are the vehicles for healthy political competition, the institutional mechanisms that allow a society to aggregate ideas. If these groups are not organized democratically, or if they fail to perform their role, the democratic system will be threatened.

(4) *Election systems*.—Developing election processes capable of producing a valid and representative reflection of the electorate's will is essential in establishing legitimate governments.

(5) *Governmental institutions*.—Executive branches, parliaments, judiciaries and local governments must function effectively, with openness and integrity.

ROLE OF U.S. NON-GOVERNMENTAL ORGANIZATIONS (NGOS)

While the U.S. Government can set the tone, and foreign aid can provide needed resources for democratic development, much of the real work must be done by non-governmental organizations. Groups such as NDI are capable of assuming responsibility, yet are not constrained by the stringent rules of formal diplomacy. NGOs can readily share information, knowledge and experiences with groups and individuals who are pursuing or consolidating democracy, sometimes without the cooperation or sanction of their government.

Moreover, in countries where one of the issues being addressed is the paucity of autonomous civic and political institutions, the fundamental idea that government ought not to control all aspects of society can be undermined by a too-visible donor government hand in the development and implementation of these programs.

NGO initiatives must grow out of the needs of democrats struggling on the ground in the host country. The work should always be in the open and should be conducted with partners committed to pluralism and nonviolence. At the same time, consultation is necessary with the Congress, USAID missions and embassies. When public funds are used, transparency and accountability should always prevail.

U.S. GOVERNMENT SUPPORT

NGOs such as NDI have greatly appreciated the expansion of democracy initiatives undertaken by USAID. These programs have provided the resources necessary to maintain a permanent field presence in many countries and to sustain, on a long-term basis, political development activities. We hope that needed democracy assistance resources will be maintained and even expanded by AID and that these programs will not, even unintentionally, be reduced as a result of earmarks for other worthy development programs.

The U.S. Congress can play an important role by ensuring needed support for the National Endowment for Democracy (NED) and its core institutes, NDI, the International Republican Institute, the American Center for International Labor Solidarity and the Center for International Private Enterprise.

These organizations have the expertise and the networks of relationships necessary to conduct effective programs around the world, but the need for assistance far outstrips the available resources. The NED's original authorization in 1984 was \$31.4 million; its current budget, which includes the first increase in many years, is \$33.5 million.

The NED and its core institutes give concrete expression to America's democratic values while serving our country's national interest by promoting political environments that are inhospitable to political extremism.

PREPARED STATEMENT OF THE NATIONAL ENDOWMENT FOR DEMOCRACY

Mr. Chairman and Members of the Subcommittee: Thank you for allowing me to offer some perspectives on the importance of democracy promotion in the aftermath of the terrorist attacks of September 11, 2001 and on the challenges that we face in approaching this critical task.

The shattering events of September 11 have radically altered the world in which we live, compelling people in societies throughout the world to reexamine their fundamental goals, priorities, and assumptions. The current U.S. policy of targeting terrorist cells and the countries that harbor them militarily represents one very important response. But an effective long-term approach to terrorism and related problems must also involve helping democracy take root in those countries and regions that now breed or support terrorists. For terrorism feeds off tyranny, finding recruits among the politically repressed and sanctuary from states that use terror against their own people.

Building effective political institutions is the surest way to sever the link between terror and tyranny and advance the values of democracy, individual rights, and cultural pluralism. In the words of Madeleine Albright, chairman of our affiliated National Democratic Institute, in testimony last week to the Foreign Relations Committee, "Certainly terrorists can exist in any country. But they cannot long operate where leaders are accountable and legal institutions respected. In fighting terror, democracies have a clear advantage, because they embrace pluralism, encourage tolerance, and enable citizens to pursue change in a peaceful and lawful way."

Mr. Chairman, promoting democratic institutions and values in countries and regions that serve as breeding grounds for terrorism is thus one of the most urgent challenges our country faces. But the attacks of September 11 did not sweep away or resolve the problems that exist in other parts of the world as well, namely problems of dictatorship, semi-authoritarianism, corruption, back-sliding, and ethnic conflict in Latin America, East Asia, sub-Saharan Africa, Central Europe, and the M.I.S.

If anything, the attacks aggravated these problems by accelerating the downturn in the world economy that was already underway, and by heightening security concerns that dictators frequently use to rationalize and tighten their controls. Indeed, the gains of the past decade may be more tenuous today than they were before September 11, and democratic progress may be more difficult to achieve in the new international environment.

In promoting democratic institution-building, it would be unwise to write off any specific country as insignificant or beyond hope. This is because in the globalized world that exists today, the cancer of breakdown in any country can metastasize to other countries and regions to become a threat to international peace and security.

A UNIVERSAL VALUE

Because democracy is a genuinely universal value based upon the belief that people everywhere, regardless of their religion and culture, can achieve self-government under the rule of law, it is the natural organizing principle in the struggle to defeat terrorism and to create a stable and peaceful world. Twenty years ago this June, President Reagan asserted in an address to the British Parliament that helped launch the National Endowment for Democracy that it was democracy that represented the most effective antidote to the central threat the world then faced. In arguing its universal appeal, he declared:

"It would be cultural condescension, or worse, to say that any people prefer dictatorship to democracy. Who would voluntarily choose not to have the right to vote, decide to purchase government propaganda handouts instead of independent newspapers, prefer government to worker-controlled unions, opt for land to be owned by the state instead of those who till it, want government repression of religious liberty, a single political party instead of a free choice, a rigid cultural orthodoxy instead of democratic tolerance and diversity?"

Indeed, that people everywhere should live in a free and democratic society is a deeply rooted American sentiment, and that government should rule by the consent of the governed is fundamental to our deepest values.

So the real question, Mr. Chairman, is not whether democracy promotion is an important weapon in the fight against terrorism and the conditions that breed it, but rather, whether we are prepared for the challenges we face in making it a priority.

THE TWIN TRACKS OF VALUES AND SECURITY

While the short-term policy of protecting the security of American citizens and the longer-term policy of promoting democracy abroad are, for the most part, mutually reinforcing, there are circumstances in which they may seem to collide, especially during those periods when immediate security needs are paramount, as they currently are. Indeed, our country's post-September 11 foreign policy agenda makes calibrating these two tracks of U.S. policy particularly difficult.

To see how this dilemma might manifest itself, take the example of a U.S. Ambassador in an Arab country in the Middle East, who must work overtime to persuade the host government to permit the stationing of American troops in the country to fight terrorism when popular opposition to such a presence is strong and growing, with the help of the government's critics. In the midst of such a delicate situation, can we realistically ask the Embassy to be responsible for providing assistance to the very kinds of voices that the host government perceives as its opposition? It is difficult to imagine that such an arrangement is easily workable, especially if the host government claims to be fighting actual or potential terrorists within its own territory.

But what price will the United States pay down the road if it does not reach out to democrats in all societies? The perception that we have never supported those who share our values in the Middle East only plays into the hands of those demagogues who contend that the United States is anti-Muslim. This perception is complicating our efforts to meet our security needs. And not only in the Middle East, for it is easy to imagine that those who are the subject of government repression in places such as Central Asia could feel similar resentment if our government, in its efforts to fight the war on terrorism and preserve options with respect to energy supplies, turns its back on independent, democratically-oriented voices.

For the National Endowment for Democracy and our core institutes, such choices do not have to be made, since our sole mission is the promotion of democracy. Indeed, it was precisely this scenario that the founders of NED had in mind when they structured it as a non-governmental institution.

CHALLENGES TO DEMOCRACY PROMOTION

Mr. Chairman, what are the most significant barriers to democratic progress today, and what strategies are most effective in overcoming them?

The countries where these barriers are greatest fall into three broad categories: dictatorships, semi-authoritarian systems, and war-torn countries. The problems and program needs differ from one category to the other, and there is also great variation within these categories. Dictatorships include both totalitarian and authoritarian systems, and semi-authoritarianism includes countries that are moving toward or away from full democracy, or are not moving perceptibly in either direction. War-torn countries include failed states that lack virtually any institutions of governance, democratic or otherwise. In addition, there is also the additional category of transitional countries where there has been significant progress in democratization, but where democratic institutions remain weak.

Opening dictatorial systems.—Perhaps the most difficult challenge facing the democracy-promotion effort is to foster the opening of closed dictatorial systems. As difficult as this area is, focused attention is necessary because the needs are so great and the courage of the pro-democracy activists is so admirable. Moreover, these countries tend to be ignored by most democracy-assistance institutions, which require an in-country presence (and thus the permission of the host government) before they will conduct programs or provide support. As a non-governmental organization, the NED, with its policy of making direct grants to indigenous groups as well as to groups based in exile, has been able to play an effective role in these difficult situations, often at a relatively low financial cost. Its objective has been to create internal and external pressures for liberalization by aiding internal pockets of activity and linking them to like-minded groups in other countries, thereby strengthening their resolve and impact and also their international support.

NED programs in dictatorial countries place special emphasis on the defense of human rights and the provision of access to independent information, activities that are necessary first steps in opening closed societies. The principle governing such programs is feasibility. The NED presses the limits of what is possible—aiding groups working to create new openings, to defend democracy activists, to develop alternative channels for the flow of information, and to promote capacity development and democratic education within the democracy movement itself as well as the wider society. If space opens up to make it possible to conduct democracy programs inside dictatorial countries with the acquiescence of the government, NED readily takes advantage of this opportunity, in accordance with its pragmatic approach. If

access to the Internet is available, even if it is highly restricted, the Endowment will seek to take advantage of that channel, too. The NED and its institutes also seek to build international pressure for democratic openings, as in the case of Burma, where American labor has defended the rights of Burmese workers in the International Labor Organization, and NDI has recruited more than 3,000 parliamentarians in a campaign of international solidarity.

NED programs in dictatorial countries thus vary along a spectrum of possibility. For example, in North Korea, which is the most closed country, the NED has provided support to groups in South Korea that document the repressive conditions in North Korea and are working to build an international campaign for the defense of human rights there. In Burma, it has supported cross-border efforts that provide training, education, and information to Burmese groups to help them develop their institutional capacity and their ability to communicate internally and with the international community. In Cuba, where it has become possible to support internal democratic groups, the NED has provided assistance to journalists, independent workers organizations, and cooperatives, all the while maintaining exile-based programs that defend human rights, provide uncensored information, and encourage dialogue within Cuba and in the diaspora about the political future of the country. And in China the NED has conducted an even more diversified effort, aiding both internal programs to promote democratization, worker rights, and market reform; and external programs that defend human rights and provide access to independent ideas and information.

In these and other dictatorial countries, the strategy is to take advantage of any opening, however limited it may be, and to find ways to strengthen independent enclaves of democratic thought and activity. The cause of democracy in such countries is so compelling that Congress has begun to provide special funding to expand programs in Burma, North Korea, China and elsewhere, including programs that support the rights of Tibetans and dialogue about Tibet's political future. A diverse, integrated, and flexible approach is needed, one that is multi-sectoral and involves both internal and external programs, and builds international solidarity networks and campaigns.

Democratizing semi-authoritarian countries.—By far the largest and most diverse group of countries comprises the second category, semi-authoritarianism. This is one of many terms (including pseudo-democracy, hybrid regimes, and competitive authoritarianism) used to describe regimes that fall somewhere between dictatorship and genuine political openness and competition of electoral democracy. A factor common to many such regimes is that the elections are not free and fair, because they are constrained and controlled by the ruling party or otherwise distorted by fraud and manipulation. In addition, such regimes tend to have an overwhelmingly dominant executive; formal democratic structures but authoritarian political culture and practices; serious human rights violations; residual authoritarian laws even where there is a new democratic constitution; and a very high level of corruption and inequality. The rule of law is extremely weak, as are the institutions of the state that are supposed to provide security and look after the social and economic needs of the people.

Ironically, these problems are the product of the democratic revolution of the past decades—or to be more precise, the unfinished democratic revolution. The fall of authoritarian regimes in Latin America, the Soviet bloc, and large parts of Asia and sub-Saharan Africa triggered major efforts to foster democratic transitions in scores of countries, involving the promotion of free elections, economic reform, civil society, good governance, and the rule of law. In Central Europe and the Baltic countries, as well as in parts of Latin America and East Asia, these efforts produced significant results. But in the large majority of cases they came up against ingrained legacies of authoritarian culture and practice. As many transitions stalled, hopes for an inexorable forward movement toward democracy gave way to the realization that democratization is a slow and arduous process, subject to reversals, and that some variation of semi-authoritarianism, more or less harsh, is likely to persist in many former dictatorships for some time to come.

It is necessary to stay engaged in semi-authoritarian countries such as Russia, Ukraine, Egypt, Pakistan, Kenya, Venezuela, and Morocco whose success or failure will significantly affect the prospect for democratic development in their respective regions. The challenge will be to craft a comprehensive multi-sectoral response that seeks not just the strengthening of civil society and independent media, but also political parties that can build effective governing coalitions, as well as business associations, trade unions, and policy institutes that can mediate between the state and the market and effect real economic reform.

In working to promote democratization in semi-authoritarian countries, it is important to bear in mind the need to:

- Assist efforts to establish more neutral, independent, and effective election administration and to assist civil society organizations and the mass media in monitoring the conduct of elections.
- Work to expand the constitutional, legal, and political space for civil society, NGOs, and opposition political party development.
- Establish linkages between civil society and political parties, and also promote collaboration between them and independent media, trade unions, business associations, and the grassroots informal sector.
- Develop practical strategies with feasible objectives, focusing on building up subcultures of democratic activism that try to achieve incremental gains, but that can also provide leadership if and when opportunities arise for more substantial breakthroughs.
- Encourage cross-border assistance within regions as a way of strengthening democratic cooperation and solidarity, sharing relevant experiences, building on local momentum for change, and promoting regional integration and the gradual enlargement of democratic practice.

Consolidating new democracies.—In many countries, democratic institutions have been established only recently and are still very weak, and there is broad support within and outside the government in favor of deepening democratic consolidation. In such emerging democracies as Thailand, Mexico, Bulgaria, Ghana, or Bangladesh, democracy cannot be taken for granted and backsliding is an ever-present possibility. (One need only remember the complacency about Venezuelan democracy just a decade ago.) It is important, therefore, to reserve some resources for programs in such countries, even as resources and energies are concentrated on countries where democracy is less advanced. In doing so, it is necessary to pay close attention to the problems of governance, working to make governments more accountable and transparent in their functioning; generating, supporting, and sharing innovative solutions to problems of consolidation; increasing broad-based participation in the political process; and strengthening the capacity and transparency of political parties.

The consolidation of these emerging and vulnerable democracies is especially important at a time when progress has stalled on so many other fronts. Not only do models of successful transition help lift the spirit of those trying to break out of semi-authoritarianism. They also offer practical lessons in how to overcome the obstacles to making democratic institutions effective. No one is more capable of transmitting these lessons than the activists from newly consolidated democracies. Their contribution to those still struggling against the legacies of authoritarianism is one of the less appreciated by-products of successful transitions.

Healing war-torn societies.—In many regions, the political uncertainties unleashed by the end of the Cold War and the pressures of globalization have led to the breakdown of old political structures and to heightened religious and ethnic conflict. While the wars in the Balkan region have attracted the most attention, many conflicts in such countries as Somalia, Sudan, Democratic Republic of Congo, and Afghanistan have been even more devastating.

Efforts by the international community to negotiate solutions to such conflicts are generally limited to holding talks among leaders of different ethnic, religious, or tribal factions. But peace agreements will not last unless civil society is brought into the process and becomes invested in negotiated solutions through an inclusive democratic process. Including civil society groups also has the effect of diluting the influence of some non-democratic people who control armed factions and thus must be part of the talks.

In many of these situations, the NED has been able to provide critically-needed support to groups in civil society that defend human rights, educate about democracy, and provide training in conflict resolution. Often they use innovative techniques, including popular theater and concerts as well as traditional media, to build trust and nurture a culture of tolerance. In effect they establish enclaves of democratic values and inter-ethnic dialogue and become centers of grassroots pressure for peace and reconciliation. They also help marshal international support for democracy assistance and the defense of human rights. If negotiations are started, they can then give voice and representation to civil society in the process of establishing peace. In a post-war setting, they can also help the process of healing and offer an alternative model and vision of democratic social and political organization.

AIDING DEMOCRACY IN THE MUSLIM WORLD

The Muslim world is a vast region that consists of more than one billion people and stretches some 10,000 miles from Morocco to Indonesia. It is an immensely diverse region politically, composed of countries that fall into all of the categories listed above—from dictatorships such as Iraq, Syria, Saudi Arabia, and Turkmenistan;

to semi-authoritarian countries like Pakistan, Egypt or Tunisia; to electoral or emerging democracies such as Turkey, Mali, Indonesia, and Bangladesh; to war-torn countries like Algeria, Sudan, Somalia, and Afghanistan. Fully one-eighth of the world's Muslim population lives as a minority in democratic India.

While recognizing this diversity, there are three principal reasons for highlighting the importance of aiding democracy in the Muslim world. First, there is a significant "democracy gap" between the Muslim world as a whole and the rest of the world. Only 11 of the 47 countries with a Muslim majority (23 percent) have democratically elected governments, as compared with 110 of the 145 non-Muslim countries (76 percent); and none of the 16 Arab states is an electoral democracy. [Footnote reference to the latest Freedom House Survey of Freedom in the World] Second, it is also within the Muslim world that democracy is under political and ideological challenge from Islamic movements that preach intolerance and hatred. Such movements may not be broadly representative of the population in the countries where they exist, but their influence is considerable. Finally, since such movements often resort to violence to achieve their ends, it is within the Muslim world where the absence of democracy has provided fertile soil for the growth of terrorism that targets the world's democracies.

The crisis precipitated by the attacks of September 11 and the new war on terrorism have placed the issue of democracy in the Middle East and in other non-democratic parts of the Muslim world on the agenda of the international community. Before the present crisis, democracy was often viewed as a Western system incompatible with Islamic culture and doctrine. The fear that Islamic fundamentalists might take advantage of democratic elections to impose a theocratic system, and the absence in the Middle East of discernible pro-democracy movements, discouraged efforts to support democratic development in authoritarian Muslim countries, especially those ruled by regimes ostensibly committed to protecting significant Western security and economic interests.

Not surprisingly, political repression has helped inflame religious extremism by forcing dissent into the mosque. The rise of terrorism and the widespread realization that such extremism is connected to the failure of political institutions in many Muslim countries have led to a growing recognition that efforts must be made to encourage political and economic modernization in the Arab Middle East and elsewhere in the Muslim world where it is lagging. Accompanying this new attitude is a sharpened clash within Muslim countries themselves between Islamic fundamentalists and moderate elements, both secular and religious, which are prepared to challenge the attempt by extremists to seize control of Muslim society and Islamic faith. For these moderates, democratization has become a matter of sheer survival.

They face four inter-related challenges. The first is to liberalize the political system, ending repression and human rights violations, permitting freedom of expression and association, and introducing genuine party contestation. The second is to modernize the state and the economy, so that meaningful steps can be taken to reduce poverty, ignorance, and inequality and to provide young people with opportunity and hope. The third is to control corruption and establish a genuine rule of law. And the fourth is to end the political abuse of religion and to reconcile Islam—the framework in much of the Muslim world for political and social activism—with modern concepts of pluralism, citizenship, and individual rights.

SENDING A MESSAGE

It cannot be emphasized too strongly that the precondition for progress on any of these fronts is a new birth of will and determination within the Middle East and other non-democratic parts of the Muslim world to strive for human rights, free institutions, and responsible, elected government. But having said that, it is also true that international support can make a crucial difference. It is needed from a practical standpoint, and it also sends the message that democratic activists in Muslim countries are not alone.

The NED, with its multi-sectoral structure and the emphasis it has always placed on encouraging democratic values and ideas, has the capacity to provide help in all four areas. For example, NDI and IRI, the NED's party institutes, work with moderate political leaders, legislators, and parties in Muslim countries, seeking new openings to improve party communications and outreach, to encourage women's participation in politics, and to promote contacts and exchange among Muslim parties and between them and the major international bodies representing parties from around the world. CIPE, the NED's business institute, promotes good governance and economic reform by strengthening private voluntary business associations and think tanks as advocates of open markets, legal and regulatory reform, transparency, sound corporate governance, and a stronger role for women in the economy.

NED supports a wide array of grassroots organizations in the Middle East that defend human rights, train women to become leaders in politics and civil society, and promote civic education and women's rights in the context of Islamic texts and traditions. ACILS, the NED's labor institute, trains union organizers to defend the rights of workers and the poor.

NED and its core institutes see the importance of involving in their programs Muslims whose points of reference are within Islam and who are also in favor of liberal democracy—as a way of strengthening these elements and countering the political abuse of religion. NED programs in many countries already involve such individuals, as do regional and sub-regional programs. The efforts of such people can be further assisted in the Middle East and, where appropriate, in parts of Asia and Africa to strengthen their voice and influence; to promote a public discourse on Islam and democratic politics; and to develop civic education programs that provide a modernist treatment of the role of Islam in public life.

It is also important that focus be given to the dissemination of first-hand accounts and systematic analyses of life in Iran, Sudan, and Afghanistan under the Taliban, the three contemporary examples of theocratic dictatorships. Conversely, there are positive lessons to be learned from the experiences of Turkey, Bangladesh, Mali, Senegal, Bahrain and other contemporary examples of Muslim countries where democratization has progressed. Where appropriate, efforts should be made to include in these networks and discussions Muslims living in Western Europe and North America, whose experience of democracy may significantly influence Islamic political thought.

Expanding women's leadership training programs is critically important for the promotion of democracy in Muslim countries. Empowering women at the grassroots and promoting their enhanced participation in the political and cultural life of Muslim societies are preconditions for democratic progress. Programs are underway to develop women's leadership capabilities in the Arab Middle East, Africa, and Central Asia and, when feasible, in Iran and Afghanistan as well. Various types of media can be employed to reach larger numbers of women in Muslim countries.

DEMOCRACY PROMOTION: "DO'S" AND "DON'TS"

Mr. Chairman, given the complexity of the task of promoting democracy at a time when security interests are so pressing, it would be understandable were the U.S. Government to prefer to let the Endowment and its institutes carry the load in helping the non-governmental side of efforts to promote democracy in particular countries. Indeed, it may be a mistake to believe that in countries such as Egypt, the U.S. Government can do an about-face and establish itself as the democracy force or leading democracy advocate. It can, however, use the tools of public diplomacy more effectively in order to begin the slow process of confidence-building with those elements of the society that are working peacefully toward a more democratic and accountable society. In countries outside of the Arab world generally more opportunities exist for government assistance to support civil society actors.

Lawmakers and the Administration can ensure that funding for democracy efforts is better targeted. More is not always better, especially if it is delivered through inappropriate mechanisms. If the goal of funding is to provide support to nascent pro-democratic civil society or non-governmental organizations, the amounts allocated and the mechanisms for providing the support should be defined by "market" forces on the ground. Too often, funding is set at a given level to make a point about how much democracy is being assisted, but then it is funneled through expensive contractors in the direction of any and all local NGOs, or under the control of an undemocratic local government. When democracy forces on the ground see such reckless spending allegedly for their benefit, but in reality it is working against their interests, they naturally become cynical.

It is often in this context that many of the following problems arise in the provision of democracy assistance to civil society:

- the kinds of NGOs supported are "top down," elitist, often internally undemocratic, and based in the capital city, with weak roots in society and faint connection to real societal interests
- Western donors impose their own goals and agendas on civil society recipients
- the organizations funded are unsustainable without continued aid
- aid has focused too heavily on NGOs at the expense of other actors in civil society
- aid often attracts human talent and energy away from more authentic institutions into aid-inspired organizations that pay higher salaries.

Finally, it should be emphasized that there is no one way to help democracy take root in countries that may have no democratic tradition or memory. Supporting democracy is not just a matter of putting into place democratic processes. It requires

nurturing within government and society democratic values, or a democratic ethos. In some places, we may need to emphasize the process and institutional reform aspects of democracy-building, but we must never overlook the fact that widespread anti-democratic attitudes can stymie or reverse democratic progress. It is critical that we understand that countries in which some institutional reform has occurred, including periodic elections, may not move in a truly democratic direction without assistance in developing democratic culture.

Mr. Chairman and members of the subcommittee, it is your continued support, as well as that of so many other members of this body, that enables us to assist countless democrats in every region who are working to make this a more peaceful world. On our behalf and theirs, let me express our deepest appreciation.

PREPARED STATEMENT OF THE TEMPLE UNIVERSITY BEASLEY SCHOOL OF LAW

It is a great pleasure to have an opportunity to convey our sincere gratitude to you and the members of this Committee for your support for Temple Law School's rule of law programs in China. We are proud that our projects are contributing to the establishment of the rule of law in China, and we welcome this chance to brief you on what we have accomplished so far and what, with your continued help, we intend to do.

As you know, President Bush recently returned from a visit to China, where he spoke on the campus of our Chinese partner institution, Tsinghua University. Tsinghua University is the ideal partner as it is a forward looking university with a tradition of educating many of China's leaders, including Zhu Rongji, the current premier, and Hu Jiaoguo, the expected next President of China. Our other partners in this project are New York University, Brigham Young University, the State Agency for Foreign Experts Administration (SAFEA) of the PRC, and the Supreme Peoples Court and its National Judicial College. We were invited into China by the government because of Temple's history of educational involvement in China (Temple was the only American university to award an honorary degree to Deng Xiaoping during his 1979 state visit to the United States) and because the Chinese government was aware of and impressed by a similar innovative program that Temple has conducted in Japan since 1994. We know that a major factor in our success is the trusting working relationship we have developed with our Chinese partners.

The rule of law is necessary condition for a functioning democracy. Democracy and the protection of individual rights cannot be realized without a transparent, rules-based system that applies to all, including the government. The rule of law itself cannot operate without a judiciary that is well-educated in the law, honest and independent. Another prerequisite is legislators and regulators who are knowledgeable about how law operates in a democratic society with a market economy. All of these elements are essential to the protection of individual rights. When fulfilled in China, these requirements will hopefully result in a legal system suitable to the needs of the Chinese people and compatible with international legal norms and standards. The extent to which this occurs will be decided by the Chinese nation. We are proud to provide educational programs, advice and assistance towards these ends.

Temple's rule of law program in China started with a Masters of Law (LL.M.) program. This is the first foreign law degree-granting program in the history of China. Our students have included national and provincial level judges, ministry officials, legislative branch officials, law professors and minority students from Western China. The original curriculum focused primarily upon business subjects but also included courses in American constitutional law and professional responsibility. As importantly, by using the American case study method, the students, including of course the Chinese judges and ministry officials, were immersed in appellate decisions that inherently exposed them to fundamental concepts of due process and equal protection, including the resolution of disputes through an independent judiciary, the supremacy of law and the submission of contested governmental actions to enforceable judicial review. Today, the Masters of Law program also offers courses in labor and employment law, environmental law, trial advocacy and criminal procedure. As noted below, with the support of this Committee, we have expanded the LL.M. program and instituted additional short-term non-degree judicial training programs. We have also undertaken a host of supporting activities as requested by China's Supreme Judicial Court and the National Peoples Congress. All of these activities now accrue as integrated parts of Temple's Business and Comparative Law Center (BCLC) which are more fully described below.

With the development of a market economy and entry into the World Trade Organization, our Chinese partners fully understand the necessity of developing a credible legal system. Many new laws have been passed that could not have been imag-

ined before, including, for example, a new contracts law. Our Chinese partners also appear committed to making major necessary reforms in the country's judicial system. Last year, the National Peoples Congress passed a law requiring all new judges to be legally-educated and members of the bar. The Supreme Peoples Court has issued new directives on the enforceability of arbitration awards and is creating a new economics court division. Currently, the Supreme Court is drafting a code of judicial ethics; and the National Peoples Congress is considering the enactment of a law governing real and personal property rights. At the request of our Chinese partners, we are honored to provide assistance on both of these projects.

The Business and Comparative Law Center.—The BCLC consists of several concurrent projects that share the goal of working cooperatively with key Chinese legal institutions to strengthen the rule of law in China. This includes degree and non-degree educational programs for Chinese judges and legal officials; collaborative consultation on specific law reform projects; and providing assistance to the Chinese government in meeting its membership obligations for membership in the World Trade Organization.

The BCLC also assists the Chinese government in developing transparent and well-considered laws. China is undergoing a major law reform effort as it becomes a member of the WTO, and we know that China is receptive to receiving input from experts from the United States and other nations in this process. Our work in China has provided us with crucial contacts in the Chinese legal agencies and a high degree of credibility.

I am pleased to report that all of these projects are proceeding on schedule and as we had hoped.

EDUCATION OF CHINESE JUDGES AND OTHER CHINESE OFFICIALS

Judicial Training Program

Our faculty and administration has developed a close working relationship with the Supreme Peoples Court and the National Judicial College.

Our judicial training programs take several forms:

—Short Term Seminars

—An intensive Legal English Training program in Spring, 2002

—A month-long intensive judicial training program in the U.S. in July, 2002

—L.L.M degree programs at the Temple/Tsinghua Program and U.S. Law Schools

Brigham Young University is designing an intensive legal English program to train a pool of approximately 60 members of the Supreme Peoples Court selected by Temple from applicants proposed by the court. The goal is to bring the judges to a level of English language proficiency, which will allow them to use English language legal resources for study and to access these resources after they complete their training. From this pool of judges, Temple will select candidates to attend the summer judicial training program in New York as well as LL.M. degree candidates for Temple's Beijing and Philadelphia-based LL.M. programs. This course is on schedule to begin in late spring, 2002 and is projected to run until July 15, 2002.

N.Y.U.'s Institute of Judicial Training has been actively involved in setting up a four-week training program that is on schedule to begin on July 22, 2002.

Temple's LL.M degree program in Beijing is currently training eight members of the Chinese judiciary and, as mentioned above, we are already involved in the planning for a legal English program which will provide us with a pool of qualified candidates for the Temple/Tsinghua LL.M. program in Beijing as well as Temple's LL.M program in Philadelphia.

The Temple Masters of Law Program

Temple's two-year LL.M. program in Beijing, which teaches United States and international law, began in 1999. The program currently has a class of 32 students, including eight judges, three Tibetan lawyers, four law professors and nine Chinese government officials, including the Division Chief of the NPC Legislative Affairs Commission, and staff attorneys from the China Regulatory Securities Commission, NPC Committee on Internal and Judicial Affairs and the Ministry of Foreign Trade and Economics.

Our curriculum includes courses on Constitutional law, Labor and Employment law, Criminal Procedure and Trial Advocacy, International Environmental Law and Business and Commercial law.

Our Criminal Procedure and Trial Advocacy course was specially designed by Temple Professors Edward Ohlbaum, one of the leading experts in advocacy law in the United States, and Associate Dean and Professor of Law JoAnne Epps, an expert in criminal law and procedure. Professors Epps and Ohlbaum, are in Beijing at this moment teaching this course to our Chinese students.

Professor Michael Wishnie of New York University Law School is teaching U.S. Labor and Employment law. This course is of great importance for a country such as China with a developing market economy.

All of our programs are taught in English because English is the international language of law, business and the Internet. We select students with sufficient English language ability and invest significant resources to bring their language ability to the level at which they can study directly from primary U.S. and international source materials. We believe that an important aspect of the program is not only to impart information about the current state of legal thinking on the international level, but also to provide as many influential legal professionals as possible with the capacity to continue to interact with the international legal community long after they have completed their formal training.

Our LL.M. students study in English and have access to a computer lab. They are required to do assignments using computers and legal research. We believe this is a crucial element of the program as it gives our graduates long-term access to international legal materials as they develop long after they graduate.

BUSINESS AND COMPARATIVE LAW FORUMS AND WORKING GROUPS

One of the major goals of the Business and Comparative Law Center is to create working groups consisting of American scholars, attorneys, judges and business people who will provide technical assistance on a mid-to-long term basis to Chinese legislators, regulators, scholars and judges as they develop China's legal infrastructure to accommodate China's emerging market economy. The working groups will concentrate on selected developing legal issues of particular importance to the reform of the Chinese legal system.

Temple has been meeting with Chinese academics, government officials and business people to ascertain the areas in which such working groups might be well received and fruitful and are quite pleased with our efforts and the results to date.

—Temple, Tsinghua and FADA Universities and the China Society of Comparative Law (CSCL) are jointly forming a Working/Study Group under the leadership of Professor Jiang Ping, FADA professor and Chair of CSCL, and the leading scholar of civil and commercial law in China. Professor Jiang has been designated the key drafter of the new Chinese property law by the National Peoples Congress. The most important goal of the group is to provide support through research, exchange of academic visits, seminars and counseling in the various areas of property law. We will also create a listserv so that the discussions can continue uninterrupted.

The first session of the working group will take place June 17–18, 2002, in Beijing.

—From July 8 to August 9, 2002, eight prominent Chinese WTO scholars will be in residence at Temple Law School where they will pursue research on WTO issues facing China. This working group, chaired by Temple Professor Jeffrey Dunoff, will include meetings with key American WTO scholars for discussion and professional exchanges that we expect to continue beyond these meetings.

—Professor Amelia Boss was invited to lecture at Tsinghua University on electronic commerce in November 2001, by Vice Dean Wang Zhemin. While in China, Professor Boss discussed the possible formation of a working group on the subject of electronic commerce.

—Professor Scott Burris visited Beijing in December, 2001, with the purpose of discussing the creation of a working group on health law and policy. At present, Chinese legal scholarship has not progressed to the point where they have even begun to consider this topic despite its importance to an emerging market economy. Regulatory and legal structures in this area are absent or deficient. Professor Burris' visit resulted in two promising initiatives—a Health Law Working Group incorporating faculty at Tsinghua, Temple, the Union School of Public Health /Chinese Academy of Preventive Medicine and other institutions; and a plan to assist the Chinese Academy of Preventive Medicine in the development of a new institute on Health Law and Policy to be housed in the Chinese Centers for Disease Control and Prevention, a new governmental agency now being organized.

ASSISTING CHINESE GOVERNMENT AND LEGAL OFFICIALS WITH WTO COMPLIANCE

In addition to our overarching goal of fostering the rule of law in the PRC, an important goal of the BCLC is to assist the Chinese government with WTO compliance issues. We are pleased to report that we have already made a great deal of progress with respect to this goal. The projects listed below are in addition to the WTO working group described in the preceding section.

- On December 9–10, 2001, Professor Jeffrey Dunoff, an expert in WTO matters, presented a two-day seminar on WTO compliance issues to 91 Chinese judges at the invitation of the National Judicial College of the Supreme People’s Court in Beijing, China. The lectures were very well received, with the vast majority of the judges giving the presentation a grade of 90 percent or better.
- On December 11, 2001, Professor Dunoff gave a two-hour lecture on WTO law to students and faculty at FADA.
- On December 12, 2001, Professor Dunoff gave a lecture to approximately 25 students and faculty at Tsinghua University School of Law on WTO entitled “Beyond Doha: The Future of the Trade Regime.” He provided all attendees with copies of three law review articles he had written in the area.
- Professor Dunoff has been invited by Yuan Jie, the Division Chief of the National Peoples Congress Legislative Division to address the members of her department on WTO issues. Yuan Jie is currently a student in the Temple-FADA LL.M degree program. Professor Dunoff has also been invited to return to the National Judicial College for additional lectures on WTO topics.
- Professor Zhang Mo, the director of the BCLC, has spearheaded the discussions with the Supreme Peoples’ Court. In these discussions the Court has asked that Temple emphasize WTO issues in the judicial training programs it provides for the next five years.

The above described activities of Temple’s BCLC are a modest but encouraging beginning. Much remains to be done. Programs like Temple’s BCLC should be replicated throughout China. Additional programs aimed specifically at provincial level judges and regulators should be undertaken. Hopefully, a program to allow American JD students to study in China for a semester will also emerge. With the support of this Committee, these and other innovative rule of law programs can and will flourish in China.

Again, my profound thanks to the Committee for its support of what Temple is doing in China and for your understanding of its importance.

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