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FOREIGN ASSISTANCE OVERSIGHT (PART II)

HEARING

BEFORE THE

COMMITTEE ON FOREIGN RELATIONS
UNITED STATES SENATE

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FIRST SESSION

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FOREIGN ASSISTANCE OVERSIGHT (PART II)

WEDNESDAY, APRIL 2, 2003

U.S. SENATE,
COMMITTEE ON FOREIGN RELATIONS,
Washington, DC.

The committee met, pursuant to notice, at 9:34 a.m. in room SD–419, Dirksen Senate Office Building, Hon. Richard G. Lugar (chairman of the committee), presiding.

Present: Senators Lugar, Allen, Brownback, Alexander, Coleman, Biden, Dodd, Feingold, and Bill Nelson.

The CHAIRMAN. This hearing of the Senate Foreign Relations Committee is called to order. We were very pleased last week to hear testimony from three Assistant Secretaries of State and the Assistant Administrator for USAID. They provided insights into foreign assistance priorities with respect to the Near East, South Asia, and East Asia.

Today, we hope to hear how the administration's fiscal year 2004 budget request will support U.S. foreign policy interests in three other regions of the world—Africa, Europe, and the Western Hemisphere. Since the first of this year, this committee has held a number of hearings and briefings in which representatives from the administration and experts from the private sector have provided insights into the funding and authorizing legislation the State Department needs to carry out a successful foreign policy. These inquiries have proven especially valuable to the committee in recent weeks as we were able to explain to our colleagues in the Senate the critical role that the State Department must play in the world and the hurdles it must overcome to fulfill that role.

With the support of many members of the Foreign Relations Committee, I offered an amendment to the budget resolution to restore $1.15 billion to the 150 account, and I am pleased to report that that amendment was passed and was included in the Senate budget resolution. The success of the amendment on the Senate floor during a process when few amendments receive favorable votes illustrates that the Senate's appreciation of the work of Secretary of State Powell and the State Department is certainly growing.

I am very pleased that three of our subcommittee chairs will preside over the three panels of this hearing today. Senator Alexander, the subcommittee chair for African Affairs, will lead the first segment of our discussion. Across the entire continent of Africa, the repercussions of the HIV/AIDS pandemic, droughts, and instability in governance have weakened an alarming number of societies. U.S. national security is increasingly affected by events and condi-

tions in Africa. We look forward to a detailed inquiry into how the United States can improve its assistance to African Nations.

In the second segment of our hearing, our subcommittee chair for European Affairs, Senator Allen, will lead the discussion of foreign assistance issues pertaining to Europe. We hope to learn how foreign assistance can help strengthen the nations that will soon enter NATO and how it can foster democratization, economic reforms, and conflict mitigations in southeastern Europe. We also will be interested in discussing the administration's proposal to reduce assistance to Russia and Ukraine in the coming fiscal year.

Finally, Senator Coleman will lead the third segment in his capacity as our subcommittee chair for the Western Hemisphere. In Latin America and the Caribbean, we have witnessed enormous progress in achieving democratization. All countries but Cuba now are led by democratically elected heads of state. However, several countries face considerable challenges that threaten political and economic stability. Venezuela, which until recently provided 15 percent of our imported oil, is struggling with the erosion of democratic institutions and civil society. Colombia remains an enormous challenge to the United States, and we are closely following the economic situations in Brazil, Argentina, and several other nations. We look forward to hearing how fiscal year 2004 foreign assistance request seeks to address those concerns.

It is a pleasure to welcome our distinguished witnesses. Mr. William Bellamy, Mr. Charles Rice, and Mr. Curtis Struble join us from the State Department. Ms. Constance Berry Newman, Mr. Kent Hill, and Mr. Adolfo Franco will be representing USAID. We look forward to your testimony and to our discussion of the role that U.S. foreign assistance can play in Africa, Europe, and the Western Hemisphere.

And now it is my privilege to yield the gavel to Senator Alexander, who will conduct the first portion of our hearing today. And I thank the Senator.

HEARING SEGMENT I.—SUB-SAHARAN AFRICA

Senator ALEXANDER [presiding]. Thank you, Mr. Chairman. Thanks for arranging the hearing. And thanks very much to the witnesses, Mr. Bellamy and Ms. Newman, for being here today.

For the first hour this morning, we are going to take a look at the administration's request for foreign assistance to sub-Saharan Africa. And as chairman of the African Affairs Subcommittee, I am delighted to have the opportunity to participate in this.

I am grateful to my colleague, Senator Feingold, who I expect to be here, and who has had an intense interest in Africa for many years as either the chairman or ranking member of the subcommittee, and I have had a good number of discussions with him about our agenda for the next couple of years, and we look forward to working together.

The African Continent is faced with a great many challenges. The chairman has mentioned several—combating HIV/AIDS, promoting conservation as a way to further good government, strengthening economies, combating corruption. Our responsibility is to try to make our foreign aid, our foreign assistance, as effective as it can possibly be toward those objectives. That is why I am es-

pecially pleased with the President's proposal. I like his Millennium Challenge Account. I like the idea behind it. It is a revolutionary new way of spending American taxpayer dollars to help other countries succeed. Rewarding poor countries for strengthening democracy, growing their economy, I think, is the right way to do it, and it is a way that Americans will be able to support at a time when we also have important needs that we want to meet here at home; and then using this foreign assistance toward a major project in a country, something that will lift the country even higher, a project that goes to the heart of what makes that country special. All those things seem to me to be the right approach.

There is a lot more that I could say. Senator Feingold is here now, and I want to ask him if he has any opening remarks.

Russ, I said before you came that we have worked together already and that I salute your interest and your background and your bipartisan approach and the amount of time you have spent on Africa, and I look forward to working with you.

We will have your statement, and then we will go to the witnesses and then we will have time for questions.

Senator FEINGOLD. Thank you, Mr. Chairman. I want to thank Senator Lugar and you for holding this hearing, and I certainly look forward to working with both chairmen in the weeks and months ahead. I thank you very much, Mr. Chairman, for the kind words. We already are enjoying working together, and I appreciate the fact that on the Republican side, the African Affairs Subcommittee is kept in Tennessee's good hands as we go from Senator Frist to Senator Alexander. And I really do look forward to working with you on this, what I regard as a very important subcommittee.

In this opening portion of the hearing, we are focusing on assistance to Africa, and I would like to take just a moment to comment on how well-monitored, responsibly delivered assistance to sub-Saharan Africa is so important today even as the headlines are rightly focused on the Middle East.

It was not so long ago that a major news magazine ran a cover story entitled "Hopeless Africa," and the sentiment that that cover reflected, the notion that African problems are too complex, too entrenched, and too big to address, is still very much with us. But this is both wrong and dangerous. It is wrong because there is a whole other side of the story, the "hopeful Africa," that rarely gets covered and discussed.

But over the course of 10 years on the African Affairs Subcommittee, I have had a chance to see some of "hopeful Africa." I have met the citizens of Mozambique organizing to fight corruption. I have talked with doctors and nurses of South Africa who fight the onslaught of AIDS every day with often minimal resources. I have heard the religious leaders of Senegal courageously reach out to their followers to talk to them about AIDS prevention. I have met the independent journalists of Zimbabwe, who refuse to accept the notion that citizens of that country do not deserve access to objective facts that allow them to draw their own conclusions. And I could go on, Mr. Chairman, literally for hours on this. We have strong partners in Africa, and we would be foolish to ignore them.

The idea of "Hopeless Africa," I think, Mr. Chairman is also very dangerous to this country, to our country, to the United States. In

the wake of September 11, we cannot afford to write off a continent, to ignore the obvious opportunities that lawlessness can present and has already presented to those who would do us harm. We cannot afford to disregard our African partners, because the fight against terrorism is truly a global one, and we cannot prevail without them. From helping our partners tighten up their financial systems and border controls to very positively reaching out to Africa's Muslim communities in a spirit of partnership and respect, we have important work to do, and it cannot wait.

So, once again, I thank the chairman, and I look forward to hearing from our witnesses.

Senator ALEXANDER. Thank you, Senator Feingold.

And our first witness this morning is Mr. Bellamy, who is the Principal Deputy Assistant Secretary of the Bureau of African Affairs at the Department of State.

Mr. Bellamy, we are glad to have you here. You are welcome to summarize your comments and submit them for the record or however you would like to do so that we can have time after you and Ms. Newman speak to go back and forth with questions.

STATEMENT OF WILLIAM A. BELLAMY, PRINCIPAL DEPUTY ASSISTANT SECRETARY OF STATE, BUREAU OF AFRICAN AFFAIRS, DEPARTMENT OF STATE, WASHINGTON, DC

Mr. BELLAMY. Thank you. Thank you very much, Mr. Chairman, Senator Feingold, members of the committee. Thank you for inviting me today to talk about budget priorities in sub-Saharan Africa. I will summarize my statement and submit the rest of it for the record and then yield to my colleague from USAID, Connie Newman.

At a time when the global war on terrorism and efforts to rid Iraq of weapons of mass destruction have captured the world's attention, we cannot afford to neglect Africa. Engagement with Africa advances significant U.S. interests from fighting terrorism to promoting democracy to expanding our trade and investment opportunities.

Africa is a continent of great potential, rich in human resources and in human talent, yet it remains the world's poorest region. Chronic conflict, poverty, and disease hinder effective government and inhibit economic progress.

Increasingly, Africa's problems are our problems, as well. The effects of refugee flows, arms and drug trafficking, the spread of disease, and environmental degradation are felt well beyond Africa's borders. Because of its porous frontiers and limited law-enforcement capabilities, Africa has become a potentially attractive target for international criminal and terrorist organizations. The East Africa bombings of 1998 and the attacks by al-Qaeda in Kenya last November remind us of Africa's vulnerabilities to exploitation both as a hiding place for terrorists and as a venue for terrorist attacks on Americans and others.

No one is more sensitive to these vulnerabilities than Africans themselves. Despite its exposure to terrorist attacks, Africa, as a whole, was steadfast in support of the United States following the 9/11 attacks. Almost without exception, African governments joined the global war on terrorism. Some African states offered bases and

ports to U.S. and coalition forces; others shared intelligence; others apprehended terrorist suspects. Many remain eager to receive counter-terrorism training and assistance from the United States.

I believe the most important message we can send to African audiences in these challenging times is that our priorities have not changed and our commitment to reform and progress in Africa remains as strong as before.

Our five overriding goals in Africa are to promote economic growth through support for market reforms in the private sector; help resolve conflicts that are blocking economic and political development; foster democratic reforms, good governance, and respect for human rights; combat the HIV/AIDS pandemic and other infectious diseases; and protect Africa's natural environmental and renewable resources.

The President's budget for fiscal year 2004 addresses these key goals. It requests $1.5 billion for the State Department, USAID, and other foreign affairs agencies working to achieve our objectives in Africa.

Mr. Chairman, economic growth is critical to African development and expanded U.S. commerce with the continent. Our strategy to promote growth includes an emphasis on rewarding and reinforcing successful government policies and on opening doors and creating opportunities for private-sector development.

The chairman of the Senate Foreign Relations Committee was personally instrumental in the conception and adoption of the African Growth and Opportunity Act, AGOA. AGOA will remain a flagship program in fiscal year 2004.

Conflict resolution remains a critical issue for Africa. Instability and war jeopardize all our efforts to promote development and improve the lives of African people. The United States plays an important role in conflict resolution in Africa and will continue to do so in the future. The end of the civil war in Sierra Leone, to which the United States made important diplomatic and material contributions, shows that determined U.S. engagement can make a difference. Our diplomatic initiatives in the Sudan have created the best chance in many years of achieving a negotiated end to this long-running and tragic civil war.

Diplomacy alone, however, is not enough. It is essential that African states and regional organizations acquire the capability to cope with African conflicts, from conflict prevention to conflict resolution. Creating this kind of peace support capacity requires resources and long-term commitment. In fiscal year 2004, we will use most of the $24 million in Voluntary Peacekeeping Operations funds requested in the President's budget to continue our capacity-building programs.

Good governance, observance of the rule of law, respect for human rights, and democratization are factors that mitigate against civil strife and violent conflict. Much of the $77 million in the President's budget request in fiscal year 2004 for Economic Support Funds [ESF] for Africa will go to promote free and fair elections and the rule of law and to strengthen civil societies, human rights organizations, and independent media.

The bulk of our ESF spending will be concentrated in ten nations chosen because of their regional importance. The remainder of our

2004 ESF funds will go to support political and economic reform in other less strategic countries, especially those without a USAID presence, to support environmental initiatives, to fund programs against trafficking in persons, and to implement various counter-terrorism initiatives.

Africa remains ground zero in the fight against HIV/AIDS and other infectious diseases. We will continue to help African countries combat this pandemic that places immense strains on the social, economic, and security prospects of so many governments. The President's initiative on HIV/AIDS was greeted in Africa as a major breakthrough, an enormously positive step by the United States. It represents a substantial, tangible commitment by the United States to stand with Africa in what is literally a life-or-death struggle.

Africa's rich biological diversity and natural resources are inextricably linked to national and international peace and security. In 2004, our ESF and Development Assistance Funds will be used to achieve more sustainable use of Africa's natural resources, protect habitats and species, promote involvement in decisionmaking of all stakeholders at national and regional levels, and build local capacity.

Mr. Chairman, we were invited to identify additional authorities or modifications of restrictions which might help us to achieve our goals. We are reviewing within the administration areas where changes could be beneficial to achieving our mission, and we anticipate discussing any changes with the committee after this review is complete. I will be pleased to discuss these issues in greater depth with members of the staff or with your committee.

Thank you.

[The prepared statement of Mr. Bellamy follows:]

PREPARED STATEMENT OF WILLIAM M. BELLAMY, PRINCIPAL DEPUTY ASSISTANT SECRETARY OF STATE, BUREAU OF AFRICAN AFFAIRS, DEPARTMENT OF STATE

Mr. Chairman, Ranking Member Biden and members of the Committee, thank you for inviting me to testify before the Committee today on our budget priorities for sub-Saharan Africa.

At a time when the global war on terrorism and efforts to rid Iraq of weapons of mass destruction have captured the world's attention, we cannot afford to neglect Africa. Engagement with Africa advances significant U.S. interests from fighting terrorism to promoting democracy to expanding our trade and investment opportunities.

Africa is a continent of great potential, rich in resources and human talent. Yet it remains the world's poorest region. Chronic conflict, poverty and disease hinder effective government and inhibit economic progress. Increasingly, Africa's problems are our problems as well. The effects of refugee flows, arms and drug trafficking, the spread of disease, and environmental degradation are felt well beyond Africa's borders.

Because of its porous frontiers and limited law enforcement capabilities, Africa has become a potentially attractive target for international criminal and terrorist organizations. The East Africa bombings of 1998 and the attacks by Al Qaida in Kenya last November remind us of Africa's vulnerabilities to exploitation both as a hiding place for terrorists and as a venue for terrorist attacks against Americans and others.

No one is more sensitive to these vulnerabilities than Africans themselves. Despite its exposure to terrorist threats, Africa as a whole was steadfast in support of the United States following the 9/11 attacks. Almost without exception, African governments joined the global war on terrorism. Some African states offered bases and ports to U.S. and coalition forces, others shared intelligence, others apprehended terrorist suspects. Many remain eager to receive counter-terrorism training and assistance from the United States.

The most important message we can send to African audiences in these challenging times is that our priorities in Africa have not changed, and that our commitment to reform and progress in Africa remains as strong as before.

Our five overriding goals in Africa are to: promote economic growth through support for market reforms and the private sector; help resolve conflicts that are blocking economic and political development; foster democratic reforms, good governance, and respect for human rights; combat the HIV/AIDS pandemic and other infectious diseases; and protect Africa's natural environment and renewable resources.

The President's budget for FY 2004 addresses these key goals. It requests $1.5 billion for the Department of State, USAID and other foreign affairs agencies working to achieve our objectives in Africa.

Economic growth is critical to African development and expanded U.S. commerce with the continent. Our strategy to promote growth includes an emphasis on rewarding and reinforcing successful government policies, and on opening doors and creating opportunities for private sector development. The chairman of this committee was personally instrumental in the conception and adoption of the African Growth and Opportunity Act (AGOA). AGOA will remain a flagship program in FY04. In 2002, when our overall two-way trade with sub-Saharan Africa fell 15 percent, U.S. imports under the AGOA program rose 10 percent. In tiny Lesotho, AGOA has added ten thousand jobs to the economy. In nearby Swaziland, more than 20 new textile factories have gone up as a result of AGOA. In Namibia, AGOA has spurred $250 million in new investment. AGOA is a striking example of how to generate investment, create jobs and stimulate trade through open markets.

AGOA has also met its stated purpose to serve as a stepping stone toward the first U.S. Free Trade Agreement in sub-Saharan Africa. Negotiations will begin this spring toward an FTA with the five-member Southern African Customs Union. This further demonstrates the readiness of these countries to undertake the rights and obligations of full membership in the global economy.

The Africa Bureau will also continue its Sovereign Credit Rating Initiative in FY04. Under this initiative, sixteen countries have signed up for ratings, two ratings have been issued, and a number of rating missions are underway. Throughout Africa, we will reinforce our official assistance programs with steps to stimulate private sector activity:

- Private sector growth is crucial to diversifying and sustaining the Angolan economy in this post-war period. We are working closely with USAID to provide technical assistance to a new, private sector bank that will provide capital on reasonable credit terms to micro, small and medium sized enterprises.
- In Kenya, where a free market economy has the capacity to serve as an engine for regional growth, we will provide technical advisors to the stock exchange and management training for private sector umbrella groups.
- In Ethiopia, which is in a slow transition from a state-directed economy, we will provide consultancy and training for the fledgling Chamber of Commerce's capital market organization work, for the National Bank's auditing and oversight mechanisms, and for the new anti-corruption commission.

Conflict resolution remains a critical issue for Africa. Instability and war jeopardize all our all efforts to promote development and improve the lives of Africa's people. Regrettably, the descent of weak states into chronic internal conflict has become an all-too familiar phenomenon in recent years. Instability has spilled over borders, triggering tragic, needless fighting among African governments and their proxy forces.

The United States plays an important role in conflict resolution in Africa and will continue to do so in the future. The end of the civil war in Sierra Leone, to which the United States made important diplomatic and material contributions, shows that determined U.S. engagement can make a difference. Our diplomatic initiatives in the Sudan have created the best chance in many years of achieving a negotiated end to this long running and tragic civil war.

Diplomacy alone, however, is not enough. It is essential that African states and regional organizations acquire the capability to cope with African conflicts—from conflict prevention to conflict resolution. Over the past several years, our work with the Economic Community of West African States (ECOWAS) and with selected West African states through the West African Stabilization Program (WASP), Operation Focus Relief (OFR), the African Crisis Response Initiative (ACRI) and now the African Contingency Operations Training and Assistance Program (ACOTA) made important contributions to African peacekeeping capacity. West African forces are today deployed alongside French forces to uphold the ceasefire in Cote d'Ivoire. This deployment thus far has obviated the need for a more costly UN operation.

Creating this kind of peace support capacity requires resources and long-term commitment. In FY 2004 we will use most of the $24 million in voluntary peacekeeping operations funds requested in the President's budget to continue capacity building programs. At the same time, we must acknowledge that no matter how successful our capacity building efforts prove to be, instability and conflict in Africa will at times be of such severity or complexity as to require UN peacekeeping.

Good governance, observance of the rule of law, respect for human rights and democratization are factors that mitigate against civil strife and violent conflict. They are also essential to economic development. Much of the $77 million in the President's budget request in FY 2004 for Economic Support Funds (ESF) for Africa will go to promote free and fair elections and the rule of law, and to strengthen civil societies, human rights organizations and independent media. One of the most stirring successes in Africa last year was the Kenyan election that brought a peaceful transition at the conclusion of President Moi's 24-year rule. Following this historic event, it is important that we do everything possible to help the new Kenyan government succeed, including its promise to vigorously combat corruption. We plan to use roughly $4 million in FY 2004 ESF to support a reform program in Kenya that will, among other things, set up an Ombudsman's office, train magistrates, implement a public asset disclosure system, and provide public sector ethics training.

The bulk of our ESF spending—over 70 percent—will be concentrated in ten nations chosen because of their regional importance. In this program we will seek not only to strengthen governance and democratic practices, but also to consolidate reconciliation and recovery in post-conflict situations. For example, building a durable peace in the war-torn Great Lakes region will require the reintegration and resettlement of excombatants, a task for which ESF is well suited.

The remainder of our FY 2004 ESF will go to support political and economic reform in other, less strategic countries, especially those without a USAID presence, to support environmental initiatives, to fund programs aimed against trafficking in persons, and to implement various counterterrorism projects. For example, under the Safe Skies for Africa Program, we will continue to fund the provision of security equipment and technical assistance by the Transportation Department to seven key African states to improve aviation safety and security. In the area of terrorist financing and money laundering, we will continue to work with the Treasury Department to help African states that may be especially vulnerable to these activities.

Africa remains ground zero in the fight against HIV/AIDS and other infectious diseases. We will continue to help African countries combat this pandemic that places immense strains on the economic, social and security prospects of so many governments. In his 2003 State of the Union address, President Bush announced a new Emergency Plan for AIDS relief. The plan calls for a five year, $15 billion initiative to turn the tide in the global fight against AIDS. It calls for treatment, prevention and care. It aims to prevent seven million new infections, treat two million HIV-infected people and care for ten million HIV-infected individuals and AIDS orphans.

The President's initiative on HIV/AIDS was greeted in Africa as a major breakthrough, an enormously positive step by the United States. It represents a substantial, tangible commitment by the United States to stand with Africa in what is literally a life-or-death struggle.

Africa's rich biological diversity and natural resources are inextricably linked to national and international peace and security. Poor conservation practices and conflict over resources undermine stability and hamper prospects for economic growth. Over the past two years, USAID's and State's support for environmental programs has increased transparency, accountability and participation, and strengthened governance in places like Senegal, Namibia, Botswana, and the Congo Basin Forest region. There also has been substantial progress towards Africa-wide ratification of the UN Convention on Desertification and regional cooperation on watershed management.

FY 2004 ESF and Development Assistance (DA) funds will be used to help achieve more sustainable use of Africa's natural resources, protect habitats and species, promote involvement in decision-making of all stakeholders at national and regional levels, and build local capacity.

Mr. Chairman, you have invited us to identify additional authorities or modifications of restrictions which might help us achieve our goals. We are reviewing within the Administration areas where changes could be beneficial to achieving our mission and anticipate discussing any changes with the Committee after this review is complete. I would be pleased to discuss these issues in greater depth with the members or staff of this Committee.

Senator ALEXANDER. Thank you.

Constance Berry Newman, better known as Connie Newman, Assistant Administrator for the Bureau of Africa for USAID, welcome Connie Newman.

Ms. NEWMAN. Thank you.

STATEMENT OF HON. CONSTANCE BERRY NEWMAN, ASSISTANT ADMINISTRATOR, BUREAU FOR AFRICA, UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT [USAID], WASHINGTON, DC

Ms. NEWMAN. Mr. Chairman and Senator Feingold, I would like to thank you for inviting me to appear before your committee to discuss a continent with much promise and with significant challenges. That continent is, of course, Africa. Today, promise, potential and opportunity exist in Africa. The hope for the future is based on current experiences in many countries on the continent. And this is good news for the United States. A more prosperous, healthy and stable Africa is in America's best interest and contributes to the U.S. interest to foster worldwide economic growth and increase trade and to combat transnational security threats.

For now, though, I want to really focus on the good news for the same reason as the Senator's opening remarks. I find that too often the press and all the rest of us do not celebrate the very good news of the continent. Positive results, as my colleague mentioned, from the Africa Growth and Opportunity Act, in 2002 imports under that act totaled almost $4 billion, a 20 percent increase over the same period a year earlier.

Second, according to Freedom House, over the last decade the number of free democracies in Africa has more than doubled. More than half of the countries on the continent are in transition from partly free to free. And I think we all are prepared to celebrate the recent election in Kenya and the anti-corruption drive in Zambia.

I emphasize the positive news in trade and democracy because the United States has played a strong role in both of these developments. The missions have been actively involved in promoting trade capacity building. In 2002, USAID missions spent over $85 million in such activities.

Regarding the growth of democracy and democratic values, embassies and U.S. missions have promoted values through diplomacy, through support for elections, through bolstering civil society and advocacy groups, and through strengthening parliaments and judiciaries to strengthen the rule of law. These positive U.S.-backed developments are further reinforced by the initiative that has been taken by the Africans themselves through the New Partnership For Africa's Development, NEPAD. As an aside, I think we must understand that until the leadership on the continent takes responsibility for the problems and developing the solutions, the donors will forever be on the continent. And the Africans know that, and that is why I believe they are as committed as they are to NEPAD.

But there are challenges, challenges that my colleague mentioned. Almost half of Africa's 690 million people live on less than 65 cents a day. HIV/AIDS, we all know about. The population growth rate of 2.5 a year with an annual growth rate of only—way under 7 percent. We understand that that continent will not reach the millennium development goal of reducing poverty levels in sub-

Saharan Africa by 50 percent by 2015 at the rate they are going and the rest of the world is going. It is not going to happen.

But there are examples on the continent that it can. Mozambique is in double-digits for the past 7 or 8 years, except for the years of the devastating floods. We see in Uganda and Ghana sustained growth rates that I think can be replicated in other parts of Africa.

To reach the goals for reducing poverty, though, we must operate on several fronts—increasing agricultural productivity; improving competitiveness; diversifying the economic base; building human capacity through improved educational opportunities, especially for girls; expanding information and telecommunications; and strengthening African capacity to manage economic and natural resources. We are helping Africa to do all of this, but we are doing it more so in the context of their leadership.

During question and answer, I will be prepared to answer more questions about the Congo Basin Forest Partnership, where we are very much involved in preserving the forest in the Congo Basin.

Of existing programs, by far the largest is our request for $325 million for HIV/AIDS pandemic. And $134 million is requested for agriculture, and $121 million is requested for education. A significant part of what the United States does comes, however, from private investments. So in addition to this request, I think you should understand that we are spending a great deal of our time attempting to leverage the U.S. dollars with private dollars in order to extend the resources available to address these problems. In fiscal year 2002, the Africa Bureau committed over $30 million from 50 agreements where USAID contribution was matched or exceeded by corporations, universities, or other groups.

I do not know if you want to hear the sad story about our personnel levels and operating expenses. It is in the full statement. I do hope that you and the staff cover it, because we are concerned. If we do not have safe operations, if we do not have a safe environment, it is going to be much more difficult for us to recruit the kinds of people that we need.

So, in summary, Mr. Chairman and Senator Feingold, American national interests in combating terror, diffusing regional conflict, and promoting democratic freedoms, and promoting global economic growth and American core values make it imperative that we accord a high priority to Africa. We are seeing the fruits of our development efforts. There are promising signs of change in many African countries, and we are heartened by the new spirit of collaboration and partnership as reflected through NEPAD.

I would like to close by saying it is a pleasure to serve on the panel with Mr. Bellamy. And I would like to introduce two colleagues from USAID who are here to help answer your questions. First, Dr. Ann Peterson, who is the Assistant Administrator for Global Health, and Garrett Grigsby, the Deputy for Democracy, Conflict, and Humanitarian Assistance.

So I thank you very much.

[The prepared statement of Ms. Newman follows:]

PREPARED STATEMENT OF HON. CONSTANCE BERRY NEWMAN, ASSISTANT ADMINISTRATOR, BUREAU FOR AFRICA, U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT

"U.S. ASSISTANCE TO PROMOTE ECONOMIC FREEDOM AND DEMOCRACY IN AFRICA"

I. GOOD NEWS IN AFRICA

Mr. Chairman, Ranking Member Biden and members of the Committee, I would like to thank you for inviting me to appear before your committee to discuss a continent with much promise and with significant challenges. That continent is, of course, Africa. Today, promise, potential and opportunity exist in Africa. The hope for the future is based on current experiences in many countries on the African continent. This is good news for the United States. A more prosperous, healthy and stable Africa is in America's best interest, and contributes to U.S. efforts to foster world-wide economic growth and increased trade and to combat transnational security threats.

At the same time, there are serious threats to Africa's future from the devastating effects of the HIV/AIDS pandemic to long-standing armed conflicts. Today, however, I will be focusing predominantly on the encouraging developments taking place in Africa. Unfortunately, much of the good news coming out of Africa is often not carried in international media reports.

First, the positive results of the African Growth and Opportunity Act (AGOA) of 2000 demonstrate Africa's potential to increase its share of world trade. In the first six months of 2002, imports under the AGOA and Generalized System of Preferences program totaled almost $4 billion, a 20% increase over the same period a year earlier. Under these programs, apparel imports increased seven-fold and transportation equipment more than doubled. Second, according to Freedom House, over the last decade, the number of free democracies in Africa has more than doubled from four to 10 and more than half the countries on the continent are in the transition from partly free to free. The successful 2002 democratic elections in Kenya, the efforts by Angola to secure peace and a prosperous future after decades of war, and the anti-corruption drive in Zambia further underscore this trend toward improving political and economic governance in Africa.

I emphasize the positive news in trade and democracy because the U.S. played a strong role in both of these developments. When the Congress passed AGOA, it signaled to Africa that the U.S. wanted Africa to become an important trading partner. Africa has responded. Our missions have been actively engaged in promoting trade capacity building. In 2002, USAID missions spent over $85 million in such activities, from workshops on the complex rules of the international trading system to programs that help African businesses build on their strengths to become globally competitive.

Regarding the growth of democracy and democratic values, embassies and USAID missions have promoted democratic values through diplomacy, through support for elections, through the bolstering of civil society organizations and advocacy groups, and through strengthening parliaments and judiciaries to strengthen the rule of law. The Administrator's report, "Foreign Aid in the National Interest," makes a strong case for institutions of democratic and economic governance as the basis for promoting prosperity and well-being. The Bureau for Africa has promoted democracy throughout the continent with the resources made available for this purpose.

These positive U.S.-backed developments are further reinforced by the initiative that has been taken by Africans themselves through the New Partnership for Africa's Development (NEPAD). NEPAD is first and foremost a pledge by African leaders to the people of Africa to consolidate democracy and sound economic management, and to promote peace, security and people-centered development. Experience has shown that for countries to realize their full potential, and to take advantage of opportunities to address the principal constraints to poverty reduction, they must reform from within, in partnership with the international community. NEPAD, which was launched in 2001, provides a welcome new framework for Africans who plan to take charge of their own destiny. Given what we know about ownership of the ways in which the challenges of the continent can he met, the U.S. and the international community have pledged to develop partnerships with those countries that demonstrate adherence to NEPAD's principles.

II. CHALLENGES TO OVERCOME THROUGH FOREIGN ASSISTANCE

Despite the encouraging trends, we must not be blind to the serious challenges facing Africa. Sub-Saharan Africa is the world's poorest region, and average living standards lag far behind those in the rest of the world. Almost half of Africa's 690 million people live on less than 65 cents a day. HIV/AIDS is having a tremendous

impact on the most economically productive part of the population in many African countries, and the recent famine in southern Africa in part is rooted in reductions in agricultural productivity related to HIV/AIDS. At the current population growth rate of 2.6% a year, reaching the Millennium Development Goal (MDG) of reducing poverty levels in sub-Saharan Africa by 50% by 2015 will require a 7% annual growth rate. Africa's greatest challenge is to achieve rapid and sustained economic growth. It is not currently doing so, but there is reason to believe it can do so. First, countries such as Uganda, Ghana and Mozambique have achieved sustained growth rates at or exceeding five percent per year, an accomplishment no one believed possible until they did so. Mozambique's objective is to sustain its double-digit growth by attracting foreign direct investment and ensuring the investment climate is attractive for domestic and foreign investors alike. Its performance over the past seven to eight years, with the exception of the year of the devastating floods, shows what can be accomplished. Other African countries have taken notice.

To reach the MDG for reducing poverty, concerted action is required along multiple fronts: increasing agricultural productivity and improving the competitiveness of African products; diversifying the economic base; building human capacity through improved educational opportunities, especially for girls; expanding information and telecommunications networks; strengthening African capacity to manage economic and natural resources; improving the enabling environment for trade and investment and curbing the spread of HIV/AIDS, malaria, and tuberculosis.

The U.S. is helping Africa do all this through the initiatives that are the centerpieces of USAID's program. These are the two Presidential Initiatives: Trade for African Development and Enterprise (TRADE) and the Africa Education Initiative and the two administration initiatives: the Initiative to End Hunger in Africa and the Congo Basin Forest Partnership. These initiatives constitute $133 million of the $1.041 billion requested for fiscal year 2004. They represent the most innovative, targeted programming of the resources requested to address Africa's challenges. The initiatives build upon the successes of our current programs which make up $908 million of the $1.041 billion requested. Of the existing programs, by far the largest is our request is the $325 million in funding to combat the HIV/AIDS pandemic. $134 million is requested for agriculture and $121.5 million is requested for education. These are the highest priority sectors in our budget request.

Mr. Chairman, the United States can assist Africa to carry out all of these programs and to achieve its goals for durable and measurable development results. A significant part of what the U.S. does comes from private investments, civil society and faith-based contributions all of which combined now far exceed official development assistance levels. We active seek public-private partnerships, focusing on ways to leverage our own public resources investments with private investments to assure a greater impact for both. These are the basic principles of development articulated by the President at the Monterrey Conference last year. In fiscal year 2002, the Africa Bureau committed over $30 million in over fifty agreements where the USAID Contribution was matched or exceeded by funding from corporations universities and philanthropic groups. We also made use of the Development Credit Authority to mobilize local capital to fund development initiatives. The best example of this has been the mobilization of mortgage financing for low-income HIV/AIDS-affected households in South Africa.

Whatever innovations we use to increase the impact of our investments in development assistance our objectives are clear. We believe it is critical for the U.S. in Africa to assist all people to prosper through the pursuit of equitable, Sustained economic growth on the foundation of strong institutions of democratic and economic governance. We see everything we do in Africa as building upon these basic American values: rewarding individual initiative and enterprise in a free market system and promoting individual liberties and freedom in democratic societies. These values are universally shared and are the foundation for everything we want to help Africans Achieve.

III. MANAGING THE ASSISTANCE PROGRAM

As we strive to assist Africa in achieving its development objectives, we are mindful of the challenge posed to our officers and employees in the medium-term from increased security risks. Six of 22 USAID Missions and two of the three Regional Offices in sub-Saharan Africa exist in critical and high-threat situations. Of these eight field offices, funding for new facilities that meet new security standards has been allocated for three. We will continue to work to secure the funding that is critical for safe operations.

As we stated in the Congressional Budget Justification, USAID continues to determine the human resource needs required to have the most efficient and effective

field operations. This has resulted in shifting direct hire staff positions in the field based on priorities. Overseas direct-hire field staff levels will increase from 216 to 227, including nine additional HIV/AIDS professionals and training positions for junior officers entering the workforce. Washington-based Africa Bureau staff levels will remain constant at 91. Even as the program has grown in size and complexity, we have worked hard to streamline operations. Operating expense constraints are such that we have decided to scale down significantly several of our small to medium size missions and reallocate staff to regional platforms. This will permit USAID to oversee assistance programs more efficiently throughout Africa.

USAID also anticipates working in close cooperation with potential Millennium Challenge Account countries and with the Millennium Challenge Corporation that will implement recipient country programs. As the Administrator has said, "USAID is the official U.S. development agency and as such the best practices of USAID will not only be desired but required if MCA is to succeed. Therefore we will embrace this chance to offer some of our own USAID professionals to complement this new organization and to provide our best experience and know how." We anticipate the opportunity to develop substantial new assistance programs in Africa that respond to the intent of NEPAD and the principles of the Millennium Challenge Account; that is to say that those countries that are ruling justly, investing in people, and promoting economic freedom should be further assisted in their efforts.

In summary, Mr. Chairman, American national interests in combating terror, defusing regional conflict, promoting democratic freedoms, and promoting global economic growth and American core values that champion human dignity make it imperative that we accord a high priority to Africa. Today, we are seeing the fruits of our development efforts. There are promising signs of change in many African countries. We are heartened by the new spirit of collaboration and partnership as reflected through NEPAD and are committed to match Africa's efforts to untap its full potential. We have confidence that under your leadership the United States will contribute substantially to a better future for a prosperous and democratic Africa.

Senator ALEXANDER. Thank you, Ms. Newman.

Why do we not move on now to questions and, Senator Feingold, if it is all right with you, why do we not take 5 minutes each, and we will go back and forth, and maybe other Senators will come and join in. We will finish at 10:30 or before.

Each of you mentioned protecting Africa's natural environment; Mr. Bellamy as one of the five major objectives, and Ms. Newman, you talked about the Congo River Basin. It seems to me that there has been some significant success in Gabon, for example. Would you agree that there has been some success in Gabon in terms of preserving the natural environment? And what are your thoughts about this whole subject? Is this simply an environmental concern, or is it a way that we can help individual countries focus on some unique aspect that they have that might be developed and become a project around which the country might unify, build institutions, increase levels of income? How do you see the whole question of helping African countries protect their natural environment?

Mr. Bellamy, let us start with you, unless you would rather start with Ms. Newman.

Ms. NEWMAN. No, he can start.

Mr. BELLAMY. I thought I might respond to your general question, Mr. Chairman, and perhaps my colleague can talk a little bit about the Congo Basin Initiative, which is, I think, one of the more interesting flagship programs in which Gabon is very much involved.

Senator ALEXANDER. Yes.

Mr. BELLAMY. I did a quick, rough count, yesterday and came up with 17 African countries with which we are actively conducting environmental programs. And out of our projected ESF budget for

2004, we are looking at between $4 and $5 million that we hope to invest in these programs. And there are various programs here.

Senator ALEXANDER. Give me examples of the kinds of things.

Mr. BELLAMY. I will give you an example, Mr. Chairman, of one that I witnessed personally a couple of months ago and about which I am extremely enthusiastic. For several years, we have been funding an operation in Namibia called the Nature—well, this is a conservancy program. The program essentially puts communities, rural communities, in charge of managing vast areas of relatively unpopulated landscapes. The successes that have been enjoyed there are truly fascinating. We have seen in some of these large conservancies the reintroduction of wildlife, better controls on farming, the introduction of profitable ecotourism. Local communities have formed management committees. They are able to generate income, and use this income to build schools and clinics. And in the process of managing these natural areas and generating income in this way, they have also developed new techniques for self-governance. And I have seen cases of nature conservancies which would become centers for, for example, distributing information on HIV/AIDS.

So I think there are numerous examples around Africa where it can be shown that protecting resources and the environment, in fact, creates sustainable livelihoods and empowers local communities in areas that we were not aware of when we began these projects.

Senator ALEXANDER. Of the $4 or $5 million you are talking about spending, in addition to the Namibia idea, what kind of—on what would you spend that money? What kinds of things?

Mr. BELLAMY. There are plans for baseline studies in the Congo, the DRC and Congo-Brazzaville, to look at establishing programs similar to the Congo Basin Forest Partnership. We are looking at trans-boundary cooperation, where three or four countries will come together to manage an area across borders. There is a program in Zambia, Namibia, and Botswana. There is a program between the Congo, Rwanda, and Uganda. These are trans-border projects. We are looking at investing in several areas in Mozambique. These are large natural areas that have significant potential for creating livelihoods for the local population and encouraging ecotourism.

Senator ALEXANDER. Is it planning money and organizing money, or is it money to buy land? What is the money spent for?

Mr. BELLAMY. I do not believe much of the money is actually going to buy land. I think the set-asides have generally been on the part of the governments involved. But the money is going to actually fund the organizations and to stand up the groups, to give them the administrative capacity, to actually launch and operate schemes of the kinds we have seen in Namibia.

Senator ALEXANDER. Ms. Newman, what about the Congo River Basin Initiative?

Ms. NEWMAN. USAID has been funding a project in the River Basin since 1994 at about $3 million a year. And what has happened is, working with partners—World Wildlife Fund, World Resources Institute, Conservation—I can give you the list—there has been built a foundation for understanding the importance of log-

ging of regulations, understanding the importance of local resource management systems, community-based management of protected areas. And based on the experience through that period of time, there was a determination by this administration to expand the work, going from $3 million to $15 million a year, with the partners who are now working in the Congo Basin and to go even beyond that.

Gabon is a good example, but Gabon is not the only place in that area where there are people, civil society, and government interested in preserving the Congo Basin. I think people understand the relationship between the Basin being preserved and a decent, adequate living. So there is a combination here of preserving the environment, but improving the poverty level of the people who are in the Basin.

Senator ALEXANDER. We will go to Senator Feingold now, but a point I am driving at, and which both of you mentioned, is that it is not just a matter of preserving the natural environment, per se; that these activities go to the very nature of some of these countries—what is unique, what is special about them—and in the organizing of the effort to preserve the environment, institutions are created, communities are developed, procedures are established, and it becomes a stepping stone toward economic development and institutional development and community building. And to the extent that is true, I think that is something I am very interested in encouraging.

Senator Feingold.

Senator FEINGOLD. Thank you, Mr. Chairman.

Let me first ask you, Mr. Bellamy, and if Ms. Newman has a comment, the same question I asked Secretary of State Powell in February. The fiscal year 2004 request for development assistance programs in Africa represents a $42.7 million decrease from the fiscal year 2003 request. Countries slated for serious cuts include Kenya, Mozambique, South Africa, Somalia, and Tanzania. And when I consider the importance of building on positive developments, particularly in Kenya and Mozambique, and consider the tremendous importance of several of these countries in the campaign against terrorism, I am a little puzzled by these reductions. I do not completely understand the priorities reflected by this request. Can you explain?

Ms. NEWMAN. Well, do you——

Senator FEINGOLD. Start with Mr. Bellamy, please.

Mr. BELLAMY. Senator Feingold, I think our overall budget for Africa—you are quite right to point out there have been decreases in the development assistance side. There have been increases in other areas of the budget which I think result in an overall increase in the budget for Africa. But it is true that when development assistance funds go away, we have to take steps to try to fill the gap. One of the ways we are going to try to fill the gap in 2004 is through more creative use of our ESF money. And I am hopeful that our ESF funds in 2004 will stay at least the same level that they were in 2003.

Senator FEINGOLD. Well, I would just follow, Mr. Bellamy, you know, if you could specifically respond to the point I was trying to make about these countries. I mean, Kenya and Tanzania are two

countries that were directly attacked by the terrorists prior to our experience on 9/11, and these are—countries like South Africa and Somalia are countries that, at least at some level, interface with questions of terrorism and threats of terrorism that we face as a nation. I think it is their No. 1 priority. And I am concerned about the signal that we are sending of decreasing assistance to these countries at this moment in our history. I am wondering if you could respond to that.

Mr. BELLAMY. In the case of—Kenya, as you know, was a recipient of a substantial amount of supplemental funding in 2002, specifically for the purposes of combating terrorism, and we are going to continue to work with Kenya, other countries in the Horn, and other countries in Africa that we have identified as especially vulnerable, and we will continue to try to tap other available sources of money where necessary to ensure that we are working with them to help them develop the kind of terrorism capabilities they need to have.

We will also, I think, in the case of Kenya and in the case of several of the other countries you have mentioned, do what we can out of ESF money to ensure that we are addressing some of the democratization, the rule of law, sort of challenges that we have to address in those countries in order to make them more effective partners in the war on terrorism.

Senator FEINGOLD. Ms. Newman do you want to comment?

Ms. NEWMAN. Yes, Senator. With regard to, I think, some of these countries being flat, Kenya does not really have a decrease in our funding, but it is fairly flat. But there are several things I will say.

First of all, it is the very tough question of how do we balance addressing HIV/AIDS where there is the highest percentage with our desire to improve—recognize that the entire continent needs development assistance. And it is a very difficult conversation that we all have within the Agency about, How do we do this? And there are some calls that we make that, were it not for HIV/AIDS, we would not make.

I will say, also, that there is much more communication with other donors through the poverty reduction strategy planning process and an effort to determine who is doing what so that we can match up our resources with other resources. And so there is a certain amount of information that we owe you that will say who else is putting money into these places in programs that we also support.

The final thing I will say is that the major initiatives in education, trade, less so agriculture, have not identified yet which countries will receive their funding, and it is conceivable that the countries that you have identified will be bumped up as a result of their receiving funding through these initiatives, for which they would apply, really.

Senator FEINGOLD. I thank you for that comment. I know my time is up. I just want to make a quick comment and wait for another round. I, of course, have total respect for what you have said about the HIV/AIDS issue and how that affects many of these decisions. I would just make this comment to you and my colleagues, that as we start thinking about this global war against terrorism,

if we do not think about what is going on in terms of the attitude toward the United States of America in countries like Kenya and South Africa and Somalia, Tanzania, the countries that are along this border, so close to the Middle East, then we are missing an important part of this whole puzzle. My view is that these countries are up for grabs. In my view, at least, some of the ones I have mentioned are not, in any real sense, anti-American. We have a real opportunity if we send the right signals to the countries as a whole, and in particular to the Islamic populations in those countries, that we care about what is going on in those countries and we are committed to their future. I think it has an enormous impact on our national security, and I would be the first to agree with you that it is so hard to balance all these priorities for Africa, but this is a new element that I am not sure has been completely incorporated into the thinking when we think about the priorities for Africa.

Thank you, Mr. Chairman.

Senator ALEXANDER. Senator Biden.

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

It is a little unfair to ask either of you the questions I am about to ask, because neither one of you make policy. You make policy, but you do not. You are given a number, you are told how much you have, and you have no impact, as qualified as you are. You are trumped by a tax cut. You are trumped by a budget. You are trumped by—and you said very straightforwardly, Ms. Newman, you said that we are making decisions that we would not otherwise make were it not for the HIV/AIDS problem. And we approach this like probably the Governor used to approach it, and every Governor gets stuck with approaching it when the national economy turns down, is you make the blind fight the deaf fight the cripple rather than fight for—you know, you never have the aid packages in competition with anyone else other than other aid packages. And so my question—I almost did not come to the hearing, because my questions and comments to you were basically useless, and your answers are useless to me, because——

Ms. NEWMAN. Wow——

Senator BIDEN. No, I am serious, and you are good people—because what you are given is, you know you do not have enough money. Bottom line, you do not have enough money. That is the bottom, bottom, bottom line. And so we come along, and we very graciously say—it is in our own interest, in my view—we graciously say we are going to plus-up the AIDS account. And the administration backs off that, by the way. But we pass here a substantial bill; you all back off it—not you, the guys in the White House—in terms of total money that we are going to be spending and how we are going to spend it. And then we come along and we all sign on to a position that says, look, when we are going to be dealing with moneys for assistance for democracy and conflict resolution and anti-corruption and economic growth, that is important to do, because we are going to base who we give aid to based upon whether or not they can absorb it honestly and effectively. So if they are not moving down the democratic path, if they are a corrupt outfit, so on, so forth, we are going to measure what aid we give them based—worldwide, not just Africa. And it makes sense. It makes

sense. If you give aid to countries that are corrupt, it does not get to the people we want it to get to.

So here, what have we done? We have come along and flattened out that portion of the funding for the continent of Africa that deals with—and I am going to oversimplify in the interest of time, but I would stand to be corrected if you tell me I am off the mark in the points I am making—we flatten out the money for assistance, conflict resolution, anti-corruption, economic growth, we impose a test that says, by the way, we ain't going to give you money unless you get rid of corruption and unless you become more democratic and unless you have an economic growth that's based upon a market economy, and then we say, the reason we can't do that is because we're spending more money on AIDS. It is all true. It is all true. But it reminds me of the book, "Catch–22." So, what are we doing?

What we are doing is, we are not addressing the problem. What is the problem? The problem is a combination of lack of democratic institutions, lack of an ability for people to understand how the market economy works and become a part of it, lack of efforts dealing with anti-corruption, compounded by this God-awful pandemic of AIDS, which is stripping those countries of the leadership that we helped train and Europe helped train in order to be able to deal with these issues. And now you are left in the terrible position of saying things like—I have been doing this too long. I can say to Mr. Bellamy, I have been doing this too long. When I hear an incredibly qualified person like you say, "We'll get money from other sources and we'll use creative ways." That, to me, in Washington, means you do not know what in the hell you are going to do, you have no idea how you are going to get this money, you do not have enough, and you are going to rob Peter to pay Paul, and the bottom line is, we ain't going to get the job done.

So I am not going to ask any questions, just tell you I am going to try to get you money. My effort here—which is not likely—my effort here is to try to figure out how we can get more money into this account, more money overall into this account. So I do not have any questions, because we are kidding ourselves here.

Thank you all very much.

Senator ALEXANDER. Thank you, Senator Biden.

Senator Brownback.

Senator BROWNBACK. Well, thank you for the good work that you are doing. I think you are doing——

Senator BIDEN. Excuse me. You are doing good work. You just do not have the resources.

Senator BROWNBACK. And I think if we could cut taxes and get the economy growing, you will have more resources to be able to put——

Senator BIDEN. Make sure you have got a $350,000 cut.

Senator BROWNBACK [continuing]. Forward, and that will help out. I think as we have shown improvement in the past when President Kennedy cut taxes and President Reagan cut taxes and we grew the economy and that that created more that we could be able to do, and that that is an important way for us to press on forward.

Also, I want to really commend the administration for the Global HIV Initiative. That is an outstanding initiative that the administration has put forward. I know the House is considering the bill. I think they mark up today on that. We have been working here to try to get something pulled together and moving forward, and I think that is a really a key initiative for us to press forth.

I also want to say that it seems to me that the time has come for the United States to focus a lot more on Africa. And I feel it coming. I am hearing and seeing a lot more comments from people talking about what we need to do in Africa, and they do not necessarily couch it in the terms of vital and strategic interest, which is where we used to—used to be our matrix of how we decide where we are going to invest time and resources. But now it is out of a humanitarian need and it is some off of what Senator Feingold said, the view of the world toward us. We are a Nation that has been greatly blessed and that we need to help in return. To whom much is given, much is expected. And I appreciate your stepping forward with things like the Millennium Account and the Global HIV Fund to do these items.

One item that I want to get your numbers for is a basic issue that we have seen coming up, is whether on the level of the food aid in total—that is, the food aid in total that is needed and how much has been conveyed to Africa to make sure—as I look at the numbers, what I am getting is that we have got food aid, we have got food aid going to Africa in the quantity that we need, but we are not sure that we are going to have enough into the future if the current crisis in the various places throughout the continent continue. I would like to hear what your perspective is on that, because I want to make sure that we have got the food aid necessary pressing on forward and into Africa.

Ms. NEWMAN. Yes. Senator, I think that everyone recognizes the lead role that the United States has played in addressing the potential famine in Eritrea and Ethiopia and the countries in southern Africa. More than a third, and, to some extent, a half of the metric tons required have been provided by the United States. I think we are trying to push other donors to step up to the plate.

But, more importantly, all of us have to work on agriculture, because that is the key food security ensuring that for the future there will be the opportunity for Africans to feed themselves and to use food for trade purposes. This means that the administration has done the right thing by having as one of its major initiatives an agriculture initiative whereby money is being made available, stating in Mali and Mozambique and Uganda, made available for transfer of technology, for training, for preparing people to use new seeds.

Senator BROWNBACK. My time is so limited. May I cut in here? I understand that point of view in the administration. Will you have sufficient food aid to meet the food needs—the food needs, not the development needs—the food needs this year?

Ms. NEWMAN. Today. I think that there is a gap that we, alone, are not going to be able to fill. But we are spending a great deal of our power to encourage other donors. The EU has now stepped up, and a few of the other donors have increased their pledge.

Senator BROWNBACK. What would you estimate that gap to be for this year?

Ms. NEWMAN. I have the numbers by country and the number of people. I would much prefer to have the Food for Peace people give you the exact numbers. But what I see now in a number of the countries is that the earlier estimates—there was an estimate—take Ethiopia. At one point, people were using numbers like 16 million people might have a famine potential. That number is down to 11 now, as of the latest assessment. But we are providing, say, about a third of that.

So in answer to your question, the most recent legislation adding a certain amount, $200 million, for Ethiopia and Eritrea will help a great deal. Does not cover the entire gap? No. And also, frankly, we believe that this should be shared with the rest of the world.

Senator BROWNBACK. OK, because we are—in the supplemental, we have got a couple of hundred million more for food aid or possibilities for use for food aid in that supplemental, and I—do you know, is that sufficient to meet the gap that is——

Ms. NEWMAN. No, it will not be. We will give you—you mean the gap in Eritrea, Ethiopia, and in southern Africa?

Senator BROWNBACK. Yes, the food needs.

Ms. NEWMAN. No. But what I owe you is people giving you the exact metric tons required, dollar required, by country. And I will tell you one other thing. The problem is not only what is the total amount needed, but it is where is it in the pipeline and will it be available when the reserves are down? So that some of the reports that I see say that May and June may be a problem time for some of the countries in southern Africa and Ethiopia, not because pledges have not been made, but that the food will not have gotten on the ground in time. But we will give you a more detailed report on that. We owe you that.

Senator BROWNBACK. And we need it soon, because the supplemental is coming to the floor this afternoon. If we are going to address it in that issue, we need it now.

Thank you, Mr. Chairman.

Senator ALEXANDER. Thank you, Senator.

We have 5 minutes left. Maybe if I ask a short question and you give a short answer, each of the three of us will have time to ask a short question and gat a short answer before we move on to the next hearing.

My question is this. With this significant amount of new dollars that we will be spending, and hopefully other countries will be spending, to combat HIV/AIDS, especially in Africa, do you have any suggestions for what the role of this committee should be in making sure that the money is well spent?

Ms. NEWMAN. Mr. Chairman, I think this would be a wonderful time for you to hear from——

Senator ALEXANDER. Well, we have got about one minute or two.

Ms. NEWMAN. Oh.

Senator ALEXANDER. So that person needs to move rapidly so Senator Feingold can ask his question. Thank you.

Dr. PETERSON. Good morning, Mr. Chairman. I am Dr. Ann Peterson. I am in charge of the Bureau for Global Health, and I am working closely with State Department, with HHS, with ONAP to

use the funds that we have now and to plan for scaling up our response to HIV/AIDS. We are building from very successful experience. We have both programmatic levels——

Senator ALEXANDER. Now, my question is, What can we do as a committee, to make sure that—to help you make sure the money is spent wisely?

Dr. PETERSON. Ask us for accountability. Ask us for what we are doing in each of the different areas of endeavor. That is prevention, care of orphans, care of people living with AIDS, as well as both treatment, which we are starting to do, ARV treatment, and non-ARV treatment, and the areas where we are able to track making a difference. For the Presidential initiative we will be tracking very closely both the dollars and the effect of those dollars.

Senator ALEXANDER. Thank you. May I invite you to—one of the underutilized functions of the Senate, I believe, is the oversight function, not to try to tell you what to do, but to make sure the goals are being met—I invite you to submit to us some suggestions about how we can work together to form our oversight role to see that your executive role is as effective as possible.

Dr. PETERSON. Marvelous, and I would love to have your—working together. Thank you.

Senator ALEXANDER. Thank you.

Senator Feingold.

Senator FEINGOLD. Thank you, Mr. Chairman, and thank you for your courtesy in making it possible for me to ask another question.

The HIV/AIDS pandemic is a problem we can all agree is of such horrifying scope and scale in Africa that it demands a truly historic international response. And the chairman just referred to the significant new moneys that, at least in theory, would be provided for this. And I greatly appreciated the President's commitment in his State of the Union Address. I hope we can all work together to make the U.S. commitment to prevention, care, and treatment a reality.

And I will tell you, I was in Botswana and South Africa a few weeks after that. They know about it. Expectations have been raised enormously. And it is one of the most heartbreaking situations in human history. So we are on the line on this one when we start talking about $15 billion.

The President committed to spend new funds on AIDS rather than robbing existing foreign assistance accounts, and I was very pleased to hear that. But even before this announcement, it has become clear for some time that increasing our focus on HIV/AIDS sometimes means decreasing the resources available for other programs. And you were referring to that earlier, Ms. Newman.

I am looking for some silver lining to this zero-sum scenario. So I would ask Mr. Bellamy to tell me more about the positive spillover effects of our AIDS programs. How are we empowering girls and women and improving health infrastructure through these targeted assistance efforts, and how are we maximizing that spillover element?

Mr. BELLAMY. Well, Senator, I am not sure that I am best qualified to talk in detail about the success of our HIV/AIDS and programs on the ground in Africa. I can say what I think is well

known, is that we have had varying degrees of success around Africa. We have had better success in some countries than others.

I would simply like to say that I think where we have enjoyed the most success is where we have listened and observed most closely what is actually needed, not necessarily what kind of assistance we would like to provide, what kind of assistance we prefer to provide, but have been very closely attuned to the situations of individual countries. And in that respect, I would like to urge members of this committee to come out and see for themselves, as you have, Senator Feingold, what we are doing on the ground, to talk our embassies and to actually see for yourselves what we are doing on the ground in Africa.

Senator FEINGOLD. Mr. Chairman, I would like—obviously, if we had the time to do a lot more, particularly on this subject, but our time is up—I would like to submit some questions for the record if I could.

Senator ALEXANDER. Of course. Without objection.

Senator FEINGOLD. Thank you, Mr. Chairman.

Senator ALEXANDER. The questions will be submitted. I want to thank the witnesses, Mr. Bellamy and Ms. Newman, for coming. This has been very helpful. If you have any additional statements you would like for us to have, we would like to have them for the record.

We will adjourn the hearing now for a moment. Senator Allen will be here shortly to begin the next phase of the hearings on the President's budget.

Thank you.

[Recess.]

HEARING SEGMENT II.—EUROPE AND EURASIA

Senator ALLEN [presiding]. The next segment of the Foreign Relations Foreign Assistance Oversight hearing will continue. Thank you.

And I want to say good morning to everyone who has been listening to the first segment. This will be the second segment. I want to thank Mr. Ries and Mr. Hill for coming to outline the Bush administration's plan and proposals for assistance to Europe. This is an important topic, and I look forward to exploring, listening, learning and then making the right decisions on the strategies and plans for implementing assistance programs to the countries of Europe.

Foreign assistance to Europe continues to be a necessary and essential investment for the United States, and while the nations of Europe, specifically those which may be considered the East, but also looked upon as northern Europe, which is northern Central Europe and southeastern Europe and Eurasia, which generally is Russia and the former Soviet Republics, all need to be examined differently. And you have concerns all the way from Northern Ireland to some extent, all the "-stans." And clearly in there is Turkey all the way up to the Baltics.

Now, foreign assistance, while it is important, needs to be made in a logical way. The countries, especially the newly freed countries who are still nascent democracies for the last decade, have developed in many cases into vibrant free-market economies with more

opportunities for all their citizens. Those in Central Europe, we have been having hearings on the expansion of NATO to seven aspirant countries, of which I am a strong supporter. But we do have to look at concerns such as the assassination of the Serbian Prime Minister to recognize that the concepts of the rule of law and democracy still are not firmly rooted and are in a tenuous situation in certain southeastern European countries.

The foreign assistance that we want to utilize, which should be utilized, is to promote democratic principles and transparency, and I think that is an effective way to ensure that the trend of democratization does not fade away. We also need to be wary of reducing assistance to countries which maybe still are not where they should be. You look at countries like Armenia, which have seen a reduction in U.S. aid, while the rate of poverty continues to hover around 50 percent.

I do think that we have to recognize that we cannot spend everything. We are not the guarantor of all countries. But what we need to do is look at it in our interest, how it does help the United States have stability, to have free markets, and to have freedom. And, indeed when you look at some, especially the Eurasia countries, the Central European countries that have armament capabilities, the issue for our security, not economic, but physical security, is in the reduction of proliferation and making sure that we have airtight export-control mechanisms. And that is an essential part of safety for Americans all over the world.

Also, we have the war on terrorism, which will continue, and many of these countries—in fact, every single one of these countries—can be essential and right now, in many cases, are very helpful in our war against terrorism. We must make sure that none of these countries become a refuge for any of these terrorist organizations, but also make certain that they assist us in the war on terrorism with information, security matters, and others. And of course, as I alluded to previously, making sure that these countries are not in any way arming terrorists or terrorist rogue states. In their efforts to get money, that should not be the way to do so.

And so we have many interests for security, for economic opportunities, and our instinctive Jeffersonian love of individual liberty at stake in all of these areas, and to the extent that those Jeffersonian liberties and the concepts of individual freedom and governments being formed to protect those individual rights, not only will that be good for jobs in this country, but I think it is clearly good for the security and safety of the American people. We all are uplifted when we see people living happier, freer lives than being under repressive totalitarian or tyrannical governments.

So I look forward to the testimony of our two witnesses, as well as a vigorous dialog on our priorities and our obligations in Europe. Your portfolio is diverse and one that is very much on our minds today, particularly with countries such as Turkey, where the Secretary of State has just left from a meeting.

When Senator Biden arrives, he will make a statement and ask questions, and I am sure you will also be happy to answer questions from members who may submit their questions in writing if they do not show up today.

So, with that, I would like to turn it over to our witnesses. Have you all agreed who wants to go first on this? Mr. Ries, are you going to give Mr. Hill a break, since he already has been in here?

Mr. Ries, if you would please proceed first.

STATEMENT OF CHARLES P. RIES, ACTING ASSISTANT SECRETARY OF STATE, BUREAU OF EUROPE AND EURASIAN AFFAIRS, DEPARTMENT OF STATE, WASHINGTON, DC

Mr. RIES. Thank you very much, Senator. Let me say at the outset how grateful we are in the European Bureau for the committee's initiative to undertake these hearings. We think that it is truly a wonderful opportunity for us to describe, as I shall, how the foreign assistance funds that the American people put in the hands of the administration help advance our foreign policy priorities.

But, first of all, let me express my regrets for my boss, Assistant Secretary Beth Jones. Beth very much looked forward to this hearing, spent a lot of work on the written statement, which we have submitted for the record, and was looking forward to coming here today. On Monday, however, Beth was asked by the Secretary of State to accompany him to Turkey, where they have just left to Belgrade, where they are on their way to—should be on the ground shortly—and to Brussels, where they will be tomorrow. The Secretary of State is making this trip in order to take forward the dialog with our key friends and allies on the very many high-priority foreign policy challenges in the world today, not least present hostilities in Iraq and the post-hostilities reconstruction and recovery for that country.

Mr. Chairman, we never lose sight of the fact that foreign assistance is a tool to advance U.S. policy goals. And I might just say that, from our standpoint, the U.S. policy goals we are advancing in Europe and Eurasia are the promotion of democracy, market reform, stability, increased respect for human rights, and the securing of borders against weapons of mass destruction and terrorism.

We see, in fact, our key challenges at the moment to how we can use our foreign assistance, and our foreign policy, more generally, to help stop terrorist networks and related activity, like drug trafficking, that support them. And we see that these goals also intersect with other objectives at the border—trafficking in human beings, movement of conventional weapons, as well as weapons of mass destruction.

We, in the European Bureau, are, we believe, truly blessed by the organizational advantages we have in this integration of foreign assistance and policy. Behind me is Tom Adams, who is our coordinator for assistance to Europe and Eurasia, acting coordinator. This position was established nearly a decade ago to coordinate assistance to the emerging democracies of Eastern Europe and the former Soviet Union. It used to be two positions that were integrated as we brought the whole bureau together 2 years ago. This enables us to bring about this policy integration that we have been talking about.

I should also say that, with my colleague, Kent Hill to the side of me, we have, we believe, a super relationship with USAID. It is a key to the success on the ground that we—we talk about policies.

We understand the programs. The coordinator's office works closely with USAID, and this is what helps make it all happen.

Let me cite just a few examples of how we think we can achieve this policy integration. First of all, take as a policy objective the national objective of preventing conflict and resolving the conflict that has happened in the Balkans. We provide assistance in a number of ways in the Balkans. An example is the assistance that we have given to the U.N. police force in Kosovo. We have been training the multi-ethnic Kosovo police force. The result is that in the last 2 years, the crime in Kosovo has been cut in half and we are seeing gradual stabilization.

Another example is our goal to stop illegal narcotics trafficking in Central Asia. With assistance, we have funded a U.N. program to create a drug-control agency in Tajikistan with vetted, better-paid personnel. The result has been seizures of Afghan heroin in Tajikistan have doubled, and the coordination with other Central Asian states and the Russians has improved.

Another objective is our goal of promoting free markets and democracy. We have been providing technical assistance in Ukraine to help the Ukranian Government to privatize land and give ownership rights to farmers. The result has been that 1.5 million land titles have been issued thus far, and Ukranian agricultural production increased 9 percent last year. Ukraine is now once again an exporter of food after a very, very long period during the Soviet era of being a net importer.

The final objective that I would point out, we obviously have a high priority national objective to stop proliferation and the development of weapons of mass destruction. We have been funding civilian research and development foundations, science centers, and bio-redirect programs all in the former Soviet Union. The result has been that thousands of former weapons scientists have engaged in peaceful scientific research and collaborative research efforts with the U.S. Over 50,000 scientists, a majority of whom are categorized as weapons-of-mass-destruction-capable scientists, have participated in the science centers programs since 1992.

Mr. Chairman, you asked us for suggestions as to where we think legislative authorities could be streamlined. We have a number of suggestions. In border control, we think some of the different programs that are oriented toward different objectives—customs, anti-narcotics, and anti-proliferation—there could be additional flexibility added so that we would have less stove-piping and we could take advantage of the natural complementaries of these programs. We will followup with the committee staff for the actual legislative suggestions. We also share the committee's interest in looking at the reports and certifications that the committee asked us for.

The funding trends that we have made in our request for fiscal year 2004 represent, in our view, a keen adjustment of the assistance proposals to current situations. We have made some small reductions in Eastern Europe, in the Balkans, reflecting continued stabilization in the region, and the graduation that we have planned from assistance programs for Bulgaria and Croatia in fiscal year 2006. We have a larger reduction in the FSA accounts. A good part of this reflects the administration's decision to move ex-

change funding from our accounts to the exchange accounts and treat all the exchanges that we do in the public diplomacy area together. We continue to ask for increases in nonproliferation IMET and FMF funding.

In conclusion, Mr. Chairman, let me just say that we would always like to see more resources for the EUR region out of our own parochial interests, but we think that the Secretary of State and the President have to make the tough choices and tradeoffs among different priorities. And we think that the administration's fiscal year 2004 request represents just this balanced tradeoff, and we are pleased to put it forward to you today.

Thank you.

[The prepared statement of Mr. Ries follows:]

PREPARED STATEMENT OF CHARLES P. RIES, PRINCIPAL DEPUTY ASSISTANT SECRETARY OF STATE, EUROPEAN AND EURASIAN AFFAIRS, DEPARTMENT OF STATE

Chairman Lugar, Senator Biden and other distinguished Committee members, I am very pleased to participate today in your examination of U.S. foreign assistance programs. I commend you for focussing on this crucial tool of U.S. foreign policy, and I look forward to an ongoing dialogue with the Committee about our assistance budgets and activities.

Like my counterparts in the Department's other regional bureaus, I approach assistance programs with a basic question in mind: how can these programs best advance U.S. interests in Europe and Eurasia? In the Bureau of European and Eurasian Affairs, we are fortunate to have a unique structure, the Office of the Coordinator of U.S. Assistance. Created by Congress under the Support for East European Democracy (SEED) Act of 1989 and the FREEDOM Support Act of 1992, the Assistance Coordinator helps to ensure the tightest possible integration between our assistance programs and our foreign policy goals. Acting Coordinator Tom Adams is with me here today, and I talk to Tom literally every day about how assistance can best support policy.

In large part because of the structures created under the SEED and FREEDOM Support Acts, we are also fortunate to have a unique relationship with our colleagues at the U.S. Agency for International Development, with whom we work very closely to develop effective programs. Kent Hill, USAID's Assistant Administrator for Europe and Eurasia is also here today and will give his perspective on assistance in our region and on the State-USAID partnership.

Mr. Chairman, in recent months much of the world's attention has understandably been focussed on the Trans-Atlantic relationship, and the differences that emerged with some of our European friends and allies over Iraq. What has received relatively less attention has been the steadfast support the U.S. has received from a number of countries in the formerly Communist parts of Europe. Clearly, one of the reasons we enjoy such a close and supportive relationship with these countries is the intense engagement we have practiced—through foreign assistance and diplomacy—during their difficult transition from Communism to market economies and democratic political systems. Some of these countries have essentially completed the transition; some are still struggling in the middle of it. But over the past nearly 15 years, the U.S. has sought to foster movement toward market-based democracy and to integrate these states into Euro-Atlantic and international economic and political structures. And this persistent, long-term effort has earned us credibility and created a reservoir of trust that is paying off in the current situation.

The U.S. has important interests in Europe and Eurasia that go beyond supporting the transition of the formerly Communist countries and, particularly after September 11th, these global interests—such as combating terrorism, weapons proliferation, and drug and other illicit trafficking—have come to the fore. I want to highlight how our assistance directly supports these U.S. national interests, and give examples of how this works in practice. Then I will explain what has changed in terms of assistance priorities since September 11th, and how that change is reflected in the President's fiscal year 2004 budget request, both in terms of programmatic priorities and country budgets.

Finally, I know that the Committee is interested in our views regarding legislative authorities and current restrictions on our ability to carry out assistance programs, so I will share some thoughts on that subject.

HOW ASSISTANCE SUPPORTS U.S. FOREIGN POLICY INTERESTS

We have an interest in cooperating with European and Eurasian countries in counterterrorism and in stopping a variety of things from moving across borders, including members of terrorists groups, weapons of mass destruction, illegal drugs, and trafficked persons. We have an interest in resolving and, where possible, preventing violent conflicts that threaten regional stability. And we also have an interest in seeing all countries of the region become democratic, market-oriented states: this is the best long-term guarantee of regional stability and of positive, mutually beneficial relations.

There are also specific characteristics of the region that give rise to specific U.S. national interests. The large group of formerly Communist nations in Central and Eastern Europe and the former Soviet Union are gradually becoming integrated into European, Euro-Atlantic and international political and economic institutions. We should not forget that we fought and won a fifty-year Cold War against Soviet Communism, and that the Soviet legacy is still reflected in many of the region's persistent problems. To see this process through—to "win the peace"—we have a compelling interest in promoting this integration and helping it become broader and deeper.

Finally, the Soviet legacy of weapons of mass destruction (WMD)—an issue the Chairman has been particularly engaged with for many years now—remains a critical U.S. security interest in the region. Our assistance efforts have and continue to be targeted at the detection, deterrence, interdiction, control and reduction of the vast Soviet military arsenal, with its widely dispersed sources of WMD and WMD expertise. The bulk of assistance dealing with this challenge is funded through programs managed by the Departments of Defense and Energy. Nevertheless, the State Department manages important non-proliferation programs, provides diplomatic support for DOD and DOE efforts, and helps coordinate interagency approaches to nonproliferation and threat reduction assistance. My bureau devotes particular attention to nonproliferation efforts since so much of the weapons and weapons expertise originates in our region.

Mr. Chairman, our interest in stopping a variety of cross-border threats—whether they be in the form of weapons of mass destruction, other lethal weapons, illegal narcotics, or individuals belonging to terrorist groups—is not new, but clearly has shot to the top of the priority list in the wake of 9/11. We cooperate with nearly all European and Eurasian countries on counterterrorism, non-proliferation, transnational crime, and border security, and a number of countries also receive significant U.S. assistance directly aimed at these problems through programs funded under the FREEDOM Support Act, the SEED Act, and other Foreign Operations accounts, such as the Nonproliferation, Anti-Terrorism, Demining, and Related Programs (NADR) account. These assistance programs have greatly enhanced the ability of states in the region to deal with the challenge of cross-border threats, and have led to some notable successes.

For example, assistance provided to Uzbekistan under the Export Control and Related Border Security programs funded by the FREEDOM Support Act and NADR helped the Uzbeks to interdict several shipments of WMD material transiting their border. Similarly, through our Anti-Crime Training and Technical Assistance (ACTTA) Program, substantial U.S. support for a UN drug control program in Tajikistan has enabled authorities in Tajikistan to seize record quantities of Afghan heroin on its way to Russia and Western Europe and additional support has made it possible for our U.S. Drug Enforcement Administration to set up the first "vetted" counter-narcotics unit in Central Asia, in Uzbekistan. Day by day, month by month, the countries of Europe and Eurasia are becoming better equipped, better trained and better coordinated with one another to deal with transnational threats. And our assistance has played a critical role in catalyzing and now sustaining that process.

I should point out here that enhancements of border security and law enforcement capabilities aid in responding to many threats and challenges, including the major problem of trafficking in persons. This Administration is deeply committed to addressing this human tragedy. Several European and Eurasian states are "source countries" for trafficking, and over the past several years we have directed SEED and FSA resources to confront the problem at every point: in the communities where former and potential future victims need job opportunities and other kinds of support; in schools and the media where public awareness of the problem can be increased; in the legal system where specific laws and mechanisms are needed; and of course, at the borders, where the traffickers must be stopped.

A second major U.S. interest in the region concerns conflict resolution and prevention. Here is perhaps the clearest example where our diplomacy and assistance programs need to work hand in glove. From the Balkans, where U.S. support for train-

ing civilian police forces has been crucial to post-war stabilization, to Central Asia, where we seek to head off future conflict in the volatile Fergana Valley by improving infrastructure and creating employment opportunities, we are devoting substantial assistance resources in this area. While admittedly foreign aid can never substitute for the genuine desire of the parties involved to find peaceful solutions to their conflicts, we can do a great deal to support countries recovering from conflict and to address the social, economic, and political conditions that sow the seeds of conflict. Most importantly, we need to stay vigorously engaged with these countries through our diplomacy and our assistance. We do not need more Afghanistans.

We also have a strong interest in the successful transition of the formerly Communist states of the region to democratic political systems and market-based economies, and their integration into Euro-Atlantic and international institutions. This is clearly a long-term process, and progress has been slower and more uneven than many expected when Congress passed the SEED and FREEDOM Support Acts.

The good news is that eight of the 15 countries covered by the SEED Act have progressed sufficiently in their transitions to "graduate" from SEED assistance: the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Slovakia, and Slovenia. All eight are either NATO members already or have been invited to join. All are scheduled to become EU members in 2004. We should all be gratified by their success, and proud of the continued role played by our assistance and political support. The Department also intends to graduate Poland, Hungary and the Czech Republic from our export control and border security assistance programs in 2004, as these countries have registered solid progress in these areas.

The unfinished news is in Southeastern Europe and the former Soviet Union. But many—not all—of these countries are on the right track; our SEED and FSA assistance is having a positive impact. Southeastern Europe is now experiencing steady progress in efforts to overcome the destruction and dislocation of the Balkan wars, meet the grave challenges of crime and poverty, and open the area to business and investment. In Kosovo, for example, we are particularly proud of participation by American police officers in the UN Police Force, and equally proud of our leading role in training up a new multi-ethnic Kosovo Police Service—including women officers. These efforts have helped to cut the crime rate in Kosovo in half. In Croatia, in a recent positive development on court reform, the U.S., the EU and other donors obtained the government's agreement to implement a standardized court and case management system that would unblock the one million case backlog, expediting the long awaited commercial court due process.

The former Soviet states lag further behind in making the transition. Across the region, corruption is a drag on reform. Some countries that made initial progress in both democratic and market change have backslid on democracy in recent years. Still, there have been notable achievements over the past ten years, thanks to U.S. assistance. In Russia, for example, which has probably moved the furthest both economically and politically, major reforms have been adopted over the past three years, including a complete overhaul of the Soviet-era judiciary and criminal justice system, a new simplified and investor-friendly tax code, and the right to private land ownership. All were adopted with the help of U.S. technical assistance. Again with substantial U.S. help, Ukraine has privatized land and given titles to roughly two million farmers, helping it become a net food exporter again for the first time in nearly a century.

In every former Soviet state, we are also helping carve out a role for thousands of nongovernmental organizations, independent media outlets, and democratic political parties—where none existed ten years ago. Under repressive conditions—such as those existing in Belarus and Turkmenistan—these efforts are mostly aimed at keeping alive hope for long-term change. In other countries though, civil society is increasingly able to act as a real counterweight to arbitrary government behavior. We saw examples of this in the past year in Ukraine, where the opposition won a majority in parliamentary elections due to substantial involvement of NGOs in monitoring the vote count; in Kyrgyzstan, where NGO pressure led to revocation of a presidential decree limiting freedom of the press; and in Tajikistan, where a sustained campaign by NGOs led to the registration of that country's first independent radio station.

With respect to integration into Euro-Atlantic and international institutions, our assistance is supporting WTO accession in several of the former Soviet states; Georgia, Armenia, Moldova, and Kyrgyzstan have already acceded, and several others, including Russia and Kazakhstan, are getting close. Our security assistance is aimed at enhancing interoperability with NATO and U.S. forces. This has proven invaluable as we continue the global war on terrorism and undertake Operation Iraqi Freedom.

FY 2004 BUDGET REQUEST

Mr. Chairman, I would like to turn to the President's fiscal year 2004 budget request, and what has changed in it from previous years. The first and most important shift to note relates to the challenge of international terrorism. Counterterrorism has become a more prominent element of our assistance, cutting across a number of programs. Our FY2004 request for global Anti-Terrorism Training (ATA) assistance increased significantly over previous years. We are putting more resources into counter-narcotics and law enforcement cooperation across the region, but particularly in Central Asia and the Caucasus, where porous borders and weak law enforcement entities have created significant opportunities for terrorists and those trafficking in illicit weapons and drugs to operate. The FY2004 budget request reflects continued support for our Anti-Crime Training and Technical Assistance Programs across Eurasia specifically for law enforcement and counter-narcotics assistance programs in Central Asia creating a foundation of new programs in that region initiated after September 11. The FY2004 budget request also reflects increased funding in both the FREEDOM Support and NADR accounts for Export Control and Related Border Security programs in Europe and Eurasia. This program provides assistance to help establish infrastructure to control the movement of weapons and dangerous material across borders. It also provides equipment and training—including radios, vehicles, patrol boats and helicopters—to enforce such controls.

We have also energized efforts to address terrorist financial flows and money laundering by providing assistance in drafting the necessary laws and regulations, and by giving technical advice to financial intelligence units and bank regulators throughout the region. These programs do not cost a large amount but have a potentially huge pay-off, and we fund them in the FY 2004 budget request.

Accompanying the increased emphasis on counterterrorism is a shift in regional focus towards Central Asia. While the overall request for FREEDOM Support Act countries is well below the appropriated FY 2003 level, the five Central Asian states are slotted for an increase of around $14 million in FSA and exchanges funding. These are the front-line states in the ongoing effort in Afghanistan, and expanded assistance there will bolster stability and attack the root causes of extremism: economic desperation, political frustration, social degradation, and isolation.

Our request for FY2004 funding to support regional security programs such as Foreign Military Financing, International Military Education and Training, and peacekeeping operations also increases significantly. Especially in light of Operation Iraqi Freedom, these programs are critical foreign policy tools to enhance interoperability, promote defense reforms, and enhance peacekeeping abilities.

Now let me briefly highlight the most significant features of the President's budget with respect to specific country requests. The declining SEED budget reflects continued stabilization in the region and a shift towards more regular assistance funding. This allows us to achieve savings for other high-priority foreign assistance needs, while maintaining our sharp focus on the transitional states of Southeastern Europe. The FY04 request maintains strong funding for Serbia and Montenegro, Kosovo, Bosnia and Albania. Graduation from SEED funding is planned for Croatia and Bulgaria in FY 2007, after final bilateral funding in fiscal year 2006, and we are currently looking at the possibility of setting a graduation date for Romania. All of these countries continue to make progress, and yet each faces severe economic and political challenges. We and other donors, particularly the EU, will have to stay engaged to make certain the region does not revert to the strife which characterized too much of the past decade. The emphasis of SEED programs in FY2004 will increasingly be in the area of civil security and rule of law, while we continue to work on promoting good governance and private sector-led economic growth.

Regarding the FREEDOM Support Act, I should first note that while we are requesting a significant reduction ($179 million below the FY03 appropriated level), it is not as dramatic a drop as it seems. Due to a decision to shift exchange programs in both SEED and FSA countries from those accounts into the Educational and Cultural Exchanges (ECE) account, the FSA request is approximately $90 million lower than it would have been otherwise; the SEED request is approximately $10 million lower. The Department expects to fund these exchange programs—which we consider to be a vital component of our effort to change attitudes and mindsets in these former Communist societies—for European and Eurasian countries at the $100 million level in FY 2004. I am working very closely with my colleague Patricia Harrison, Assistant Secretary for Educational and Cultural Affairs, to make sure we secure these funds for programs in Southeastern Europe and Eurasia and that coordination between SEED and FSA and ECA programs continues at a high level.

Even taking the shift of exchange programs into consideration, the FSA account is significantly reduced, with most of the reduction coming from Russia and Ukraine. This reduced request is first a reflection of difficult decisions that had to be made among a large number of foreign assistance priorities. Beyond that, it is recognition of the progress these countries have made—particularly Russia—toward market and democratic reform. We are currently developing a strategy to phase out FSA assistance to Russia over the next several years. This strategy will seek to ensure a legacy of sustainable institutions in Russia that will continue support for democratic development and entrepreneurship. It should be stressed that assistance to address serious health threats, like HIV/AIDS, and to support civil society groups, including human rights monitors, may continue in Russia through other foreign assistance accounts even after the phase out of FSA assistance is completed. We want to implement this phase out carefully, without jeopardizing the gains of the past decade, and we would be happy to consult closely with the Committee as we proceed.

In general, FSA programs in FY 2004 will increasingly emphasize three themes:

1. Conflict prevention through community-level projects to improve living conditions in volatile regions;

2. Decentralization of power by strengthening NGOs, independent media, local governments, and where relevant, the judicial branch; and

3. Anti-corruption efforts by promoting rule of law and transparency and accountability in governance.

AUTHORITIES/RESTRICTIONS

Finally, Mr. Chairman, in your invitation letter for this hearing, you asked if I believed that additional legislative authorities or a modification of restrictions currently in place were necessary to help us achieve our assistance goals. Rather than getting into specific provisions at this time, allow me to make two general comments on this subject. I will be glad to follow up at a later time, working through our Bureau for Legislative Affairs.

First, many of our interests in Europe and Eurasia come together in our programs that work at borders—trying to stop harmful things from getting through, while also trying to facilitate helpful trade and commerce across them. A variety of anti-terrorism, security, law enforcement, and economic growth programs are all working on border-related issues. The authorities that govern these programs may be preventing productive interaction among them. For example, under our Export Control and Related Border Security assistance programs, we can provide equipment, training, or infrastructure assistance to help secure borders to prevent weapons trafficking; but to combat drug trafficking at the same border site, we would have to provide the equipment or training under our International Narcotics and Law Enforcement assistance program. In each case, we are trying to train the same customs, border guards and immigration officials, and often the equipment is identical, but it must be provided under different funding sources and authorities. We will be reviewing these authorities within the Administration to see how to make their interaction more productive.

Second, we believe that Congressionally-mandated reporting requirements are excessive; a reduction could actually enhance Executive-Legislative branch communication on important foreign policy issues. The Department spends a great deal of time and effort producing reports that spark little interest on the Hill or elsewhere and often have long outlived whatever usefulness they once had. We suggest that more frequent briefings and other contacts between representatives of the State Department and Committee members and staff would be a more productive use of time, and result in more useful give and take. Again, the Bureau for European and Eurasian Affairs, together with our Legislative Affairs colleagues, would be glad to follow up on this issue with more detail.

In closing, Mr. Chairman, let me thank you and the other members of this Committee for your strong interest in our region, and for your renewed focus on foreign assistance. We look forward to more interaction between the Department and your Committee on these critical issues, and stand ready to work with you toward our common goal of advancing U.S. national interests in Europe and Eurasia.

Senator ALLEN. Thank you, Mr. Ries.

Mr. Hill.

STATEMENT OF HON. KENT R. HILL, ASSISTANT ADMINISTRATOR, BUREAU FOR EUROPE AND EURASIAN AFFAIRS, UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT [USAID], WASHINGTON, DC

Mr. HILL. Mr. Chairman, thank you for this opportunity to discuss USAID's programs in Europe and Eurasia. And I am pleased to be here with my colleague from the State Department, Charles Ries.

I would ask that my written testimony be inserted into the record.

The assignment the administration and the Congress have given us through the years has been unprecedented in its scope and its importance, mainly to assist in the transition of 27 non-democratic, centrally planned, formerly communist nations into democratic, free-market, prosperous, and peaceful members of the European family of nations. It has not been an easy task.

During the 1990s, 13 significant conflicts, including two major Balkan wars, rekindled ethnic hatred and demonstrated the regional fragility of this post-Communist, post-cold-war era. The 1998 collapse of the Russian financial system had severe repercussions throughout Eurasia. Authoritarian rulers initially in southeast Europe, and still in many Eurasian countries, have impeded the growth of democracy and broad-based economic growth.

Obviously, some countries have moved quickly toward democracy and market-oriented economies, others have moved unevenly, and a few much too slowly or not at all. Income levels in many countries have yet to return to levels that existed prior to the breakup of the Soviet Union. High unemployment, significant poverty, widespread corruption, HIV/AIDS, and trafficking in persons are all serious problems.

Though the challenges have been great, much progress has, in fact, been made. Fourteen years after the fall of the Berlin Wall, we find this part of the world to be a very different place than it was during the Communist era. Eight of the 27 formerly Communist countries have graduated from being major recipients of U.S. foreign assistance. In 1990, the private-sector share of gross domestic product in this region was about 12 percent. By 2002, it had reached 62 percent. Freedom House now ranks 21 of these former Communist states as free or partly free. Sixteen of these 27 transitional countries have achieved full membership in the World Trade Organization. And after years of economic contraction, the region has recorded positive economic growth since 2000, an impressive development given the downturn in the global economy.

Hungary, Poland, and the Czech Republic became members of the North Atlantic Treaty Organization in 1999. Bulgaria, Estonia, Latvia, Lithuania, Romania, Slovakia, and Slovenia are poised to enter by 2004. And ten of our recipient countries are on track toward full European Union membership within several years.

Without question, President Bush's national security strategy, which embraces the development of democracy and market economies as fundamental pillars of U.S. foreign policy, is bearing fruit in the Europe and Eurasia region. These nations are becoming America's allies. Indeed, 15 recipients of SEED or FSA funding in

Europe and Eurasia are active supporters of Operation Iraqi Freedom.

A particularly serious problem in the region is the fundamental misunderstanding of what capitalism and democracy are. Far too often, the transition countries have held the Marxist view that capitalism is simply unlimited greed. In fact, capitalism is best understood as a free economic system which exists within a framework of law and fair play.

Similarly, democracy is too often misunderstood to mean simply elections rather than a complex system which must include minority rights—after all, there are things that majorities may not do—religious freedom, limited government, a vibrant civil society, rule of law, and an independent media. It is only in this context that elections fully accomplish what mature democracies expect from them.

Both a free economy and democracy depend on the cultivation of common values without which the technical and legal structures of free economies and democracy will collapse. A major new initiative of the Bureau for Europe and Eurasia in the foreseeable future is to solicit innovative proposals to promote these values.

As we look to the future, it is also critical that we understand that of the 19 major recipients of foreign assistance in the former Soviet Union and Eastern Europe, eight are historically Islamic, while several more have significant minorities with Islamic roots. If these populations are economically or politically marginalized during the post-Communist transition, the stability of the region can and will be put at risk. Unemployed and disillusioned youth in historically Islamic areas may be particularly vulnerable to the rhetoric of Islamic political radicals, radicals who often come from outside the region. There is a direct connection between economic and political reform's success in our recipient countries and our country's broad national security strategy to minimize and eliminate the growth of terrorism.

Our present task is to address the most urgent transition issues while consolidating assistance gains and planning over time, the appropriate decline and end of our assistance relationships. In both Europe and Eurasia, highest priority will be given to assuring as much as possible the irreversibility of the economic and democratic transition and helping control the HIV/AIDS explosion and the multi-drug-resistant forms of tuberculosis.

In conclusion, it is imperative that we understand that further assistance designed to stabilize the Balkans and Eurasia is intimately connected to the strategic interests of the United States to promote stability, nurture important allies, and reduce opportunities for the spread of terrorism where stability is not present. I would urge you and your committee to continue your support for vital programs in Europe and Eurasia.

Thank you, Mr. Chairman. I welcome the opportunity to respond to your questions or those of other members of the committee.

[The prepared statement of Mr. Hill follows:]

PREPARED STATEMENT OF HON. KENT R. HILL, ASSISTANT ADMINISTRATOR, BUREAU FOR EUROPE AND EURASIAN AFFAIRS, U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT

INTRODUCTION

Chairman Lugar, Senator Biden, and other distinguished members of this Committee, I am delighted to have the opportunity to participate in your examination of U.S. Foreign Assistance Programs. I look forward to providing the USAID perspective on assistance to Europe and Eurasia.

I want to begin by expressing my appreciation to Deputy Assistant Secretary of State for European and Eurasian Affairs Charles Ries, Tom Adams—State Department's Acting Coordinator for Assistance to Europe and Eurasia, and his team for their fine collaboration in the region with USAID. Together we have been able to accomplish much in this vital region of the world. I also want to acknowledge at the outset my profound respect for the personnel with whom I work at USAID, both in Washington and in the field, who effectively implement U.S. foreign policy objectives in an area of the world which is vitally important to our country's interests—the former Soviet Union and Eastern Europe.

Most of today's testimony is focused on our assistance to the transition countries in the region, as authorized by the Support for East European Democracy (SEED)[1] Act of 1989 and the Freedom for Russia and the Emerging Eurasian Democracies and Open Markets (FREEDOM) Support Act (FSA) of 1992. We also oversee economic support programs in Cyprus, Northern Ireland and the Republic of Ireland, and Turkey (see map, Annex 1).

The September 2001 attacks on the World Trade Center and the subsequent war on terrorism have heightened the importance of U.S. foreign assistance. USAID programs are aligned with U.S. foreign policy goals and support U.S. national interests abroad. For this reason, it is important that the Europe and Eurasia (E&E) region continues to make headway in the transition to democratic freedom and economic opportunity. A peaceful and growing region expands possibilities for U.S. trade and investment and encourages the integration of these countries into regional organizations and global markets. The United States also looks to this region for cooperation on a range of critical national security issues, ranging from the war in Afghanistan and Iraq to the future make-up and viability of trans-Atlantic institutions.

The purpose of this written statement is threefold: to provide an overview of USAID assistance to the E&E region, taking a look back to the inception of the program; to highlight the tremendous progress that has been achieved as well as some of the critical obstacles we still face in accomplishing our goals; and to discuss how we have shaped our program and budget for this year and next in order to respond to the changing world in which we are operating.

OVERVIEW

When Congress authorized the SEED and FSA programs, Europe and Eurasia (E&E) was a new frontier for U.S. assistance and the challenge was daunting: to assist in the transition of the formerly communist region into 27 democratic, independent states with market economies. In coordination with the U.S. Department of State and other U.S. Government entities, USAID quickly mounted a large program focused on the simultaneous transitions of economic, political, and social systems to market-based democracies. Through FY 2003, Congress has authorized a total of $15.9 billion for this transition, of which USAID has managed about 65%.

It has always been our assumption that this assistance would last only as long as necessary to ensure that the transition to market-based democracies was solidly on track and not likely to be reversed. Indeed, eight of the 27 formerly communist countries have "graduated" from being major recipients of U.S. foreign assistance.[2] But elsewhere in the region, events during the 1990s produced setbacks and obstacles. Thirteen significant conflicts—including two major wars in the Balkans—rekindled latent ethnic hatreds, demonstrating the fragility of stability in the post-Cold War era. The 1998 collapse of the Russian financial system had severe repercussions throughout Eurasia, underscoring the vulnerability of the economies in the region. Authoritarian rulers—initially in Southeast Europe and still in many Eurasian countries—have stalled the pace of democratic transition and broad-based economic growth.

[1] Appropriations made under this authority are also known as the Assistance for Eastern Europe and the Baltic States Act (AEEB).

[2] Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Slovakia, and Slovenia.

Despite these obstacles, tremendous progress has been made. Fourteen years later, we find this part of the world to be a very different place than it was during the communist era. From Poland and Slovenia in the west to the Russia Far East, the economic and political changes that have occurred since the fall of the Berlin Wall are truly profound. Where the state once controlled nearly every aspect of economic activity, free enterprise and entrepreneurship are flourishing. Where individuals were once afraid to assert their needs and beliefs, E&E citizens are finding their voices through multi-party elections, the independent media, and the actions of thousands of non-governmental organizations (NGOs). Where power and decision-making were once almost exclusively concentrated in Moscow, municipal governments, small businesses, and NGOs are working together to resolve problems and improve the delivery of basic services in communities across the region.

President Bush's National Security Strategy, which embraces the development of democracy and market economies as a fundamental pillar of U.S. foreign policy, is bearing fruit in the Europe and Eurasia region. These nations are becoming America's allies. In Europe, Hungary, Poland, and the Czech Republic became members of the North Atlantic Treaty Organization (NATO) in 1999. Bulgaria, Estonia, Latvia, Lithuania, Romania, Slovakia and Slovenia are poised to enter by 2004. Their backing in the international war on terrorism and of U.S. policy toward Iraq has been unwavering. So has been the support of the Caucasus countries (Armenia, Azerbaijan, and Georgia) and the Central Asian Republics (Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan, and Uzbekistan). Indeed, sixteen of our recipient countries in Europe and Eurasia are active supporters of Operation Iraqi Freedom.

With USAID assistance, the European countries are working toward meeting the requisite criteria for accession to the European Union (EU). Eight E&E countries that we have been assisting are scheduled to become EU members by 2004, with Romania and Bulgaria strong candidates for EU membership later in the decade. And, as noted by Assistant Secretary of State for European and Eurasian Affairs, Ambassador Elizabeth Jones, in her testimony before the subcommittee of the House International Relations Committee, the Eurasian countries will become Europe's "new neighbors" after EU enlargement.[3] A prosperous and stable Eurasia will reinforce Russia's growing relationship to the Euro-Atlantic community and expand U.S. economic opportunity in that sub-region.

While all these changes are impressive, they are complex, and issues remain. Some countries have moved quickly toward democracy and market-oriented economies, others have moved unevenly, and a few much too slowly. On the economic side, a number of problems persist, including high unemployment rates and sectors that cannot compete in global markets. On the democratic front, the region has a long way to go to provide for the many systems and checks and balances we take for granted in established democracies—including the consistent application of the rule of law, strong and independent media, and transparent and responsible governance at national and local levels. While we continue to press for broad-based reform, other problems have set in—particularly the deterioration of social conditions, the rapid spread of HIV/AIDS, and the significant growth in human trafficking.

Our challenge, now, is to address the most urgent transition issues while consolidating assistance gains and planning, over time, an appropriate end of assistance. The experience we have acquired will guide our program choices and enable us to make prudent investments. I believe we have developed a budget and program for FY 2003 and FY 2004 that address all aspects of this new challenge and promote the ideals embodied in President Bush's vision for global development: just rule, investment in people, and economic freedom.

USAID ASSISTANCE IN THE REGION

Peace, prosperity, and regional stability are the underlying principles of USAID engagement in this part of the world. E&E programs focus on three goal areas: economic restructuring and growth; democracy and governance; and social transition. In each of these areas, our strategy has been to target policy reform and institutional strengthening at national and local levels, and citizen involvement through grass-roots organizations. As needed, humanitarian assistance has been provided as a bridge from emergency relief to transition programs.

Experience has shown that this broad, multi-sector approach produces important synergies. Democratic elections and growing civil societies strengthen the resolve and robustness of economic reforms; credible rule of law is essential to fighting cor-

[3] Testimony of Assistant Secretary of State for European and Eurasian Affairs, Ambassador Elizabeth Jones, before the House International Relations Committee, Subcommittee on Europe, March 13, 2003.

ruption and fostering economic investment and growth; and fiscal reform is key to the sustainability of social services and protection systems. Through FY 2002, USAID has allocated about 53% of its resources to economic programs, including energy and environment; 17% to democracy; 10% to the social sectors, including health; and 20% to humanitarian assistance.

USAID has prepared a set of funding charts to illustrate the manner in which USAID resources have been used over time (see Annex 2). These graphs depict SEED and FSA appropriation levels since 1992, USAID's portion of these funds over time, recent shifts in funding levels by country, and resource allocations by sector.

A SNAPSHOT OF PROGRESS AND OBSTACLES

A few facts demonstrate the progress that has been made in the transition to democracies and market-oriented economies in the E&E region:

- In 1990, the private sector share of gross domestic product (GDP) was 12%; in 2002 it accounted for 62% of GDP, region-wide;
- Freedom House ranks 21 of these former communist states as free or partly free;
- Macroeconomic stability has been impressive—a majority of countries have reduced inflation to single digit levels;
- Sixteen of the 27 transition countries have achieved full membership in the World Trade Organization;[4]
- Ten countries are on track toward full EU membership within several years;[5] and
- After years of economic contraction, the region has recorded positive economic growth since 2000, despite a downturn in the global economy.

While region-wide trends are generally favorable, there are significant differences among the sub-regions.

In *Northern Tier Europe* (the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Slovakia, and Slovenia), countries have achieved democratic freedoms roughly on par with some Western democracies, but they have farther to go to meet EU economic reform standards. Due to the strength of their transitions, seven of the eight had graduated from USAID bilateral assistance by 2000 and USAID's office in Slovakia closed March 31st.

In *Southeast Europe* (Albania, Bosnia and Herzegovina, Bulgaria, Croatia, Kosovo, Macedonia, Romania, Serbia and Montenegro), resettlement of war-torn areas is progressing rapidly following a decade of ethnic violence. Most of these countries now appear to be pulling ahead and following the transition path charted by the Northern Tier. However, stability is not yet a given, as demonstrated by the recent assassination of the Serbian Prime Minister, Zoran Djindjic. Other challenges include weak labor markets across the board, and poor human capital in select countries. Corruption remains an issue throughout the sub-region. We are also concerned that ethnic clashes could easily reemerge without mechanisms for inter-ethnic understanding and cooperation, particularly given the scheduled decline in donor assistance.

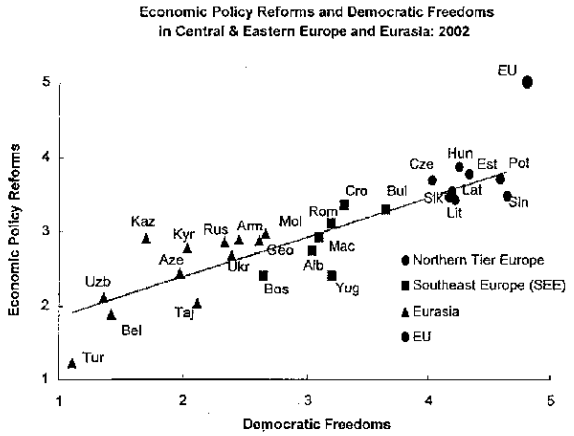
The *Eurasia* picture is more complex (Armenia, Azerbaijan, Belarus, Georgia, Moldova, Russia, Ukraine, and the Central Asian Republics—Kazakhstan, Kyrgyz Republic, Tajikistan, Turkmenistan, and Uzbekistan). While progress in economic policy reform has been positive, income inequality is increasing and long-term growth does not yet appear sustainable. Eurasian economies are highly dependent on primary commodities, and Russia dominates the economic links within the sub-region. Depletion in human capital is a major concern, given the decades-long deterioration of health and education systems. With widespread corruption and an incomplete reform process, public trust in government and private institutions continues to weaken.

The slow pace of democratization in Eurasia reflects an ongoing struggle between proponents of broad-based participation and the tradition of autocratic leadership. Political leadership in Belarus steadfastly resists political and economic reform and Ukraine has yet to fully embrace democratic reform. The Central Asian and

[4] Albania, Armenia, Bulgaria, Croatia, Czech Republic, Estonia, Georgia, Hungary, Kyrgyzstan, Latvia, Lithuania, Moldova, Poland, Romania, Slovakia and Slovenia have acceded to full WTO membership. Except for Turkmenistan, all other E&E transition countries have applied for WTO accession.

[5] Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, the Slovak Republic, and Slovenia are set to join the EU in 2004. Bulgaria and Romania hope to accede by 2007.

Caucasus countries struggle with a mindset more in keeping with Soviet times, rather than with a post-Soviet, fully democratic era, and Turkmenistan is particularly unreceptive to transition.



Ratings of democratic freedoms are from Freedom House, Nations in Transit 2002 (2002) and Freedom House, *Freedom in the World 2002* (December 2002) and cover events to December 2002. Economic policy reform ratings are from EBRD, Transition Report 2002 (November 2002), and cover events through September 2002. Ratings are based on a 1 to 5 scale, with 5 representing most advanced.

As for the Central Asian Republics who have provided particularly strong support for Operation Iraqi Freedom, regional stability, particularly in the conflict-prone Ferghana Valley, is a particularly nettlesome issue that we are helping them address through employment-generation programs, community development activities, and support for civil society development and advocacy. Other issues they face include harnessing their vast energy resources in a maimer that will produce benefits for their people and politically sensitive items such as human rights, conflict prevention, and the rule of law.

SUCCESSES AND LESSONS

Since I joined USAID in 2001, I have traveled to nearly every country we assist in the region. I have seen first hand what USAID has accomplished with the resources appropriated by Congress. Our in-country presence is most opportune, constituting an exceedingly valuable asset. It enables us to adapt to changing circumstances, design projects that work well, apply resources where it counts, and achieve results.

Our ability to make small investments that reap multiple benefits has been proven repeatedly. For example, in Russia, USAID supports indigenous think tanks as an effective way to promote policy reform at the national level. One of these think tanks has played a pivotal role in helping a Presidential Commission develop a new concept for intergovernmental fiscal relations. Another has been a key advocate for a variety of laws that have opened the doors to the private ownership and sale of land, private mortgage lending, and the introduction of means-testing in the delivery of social services. Not only does this approach produce policies that are sensitive to the Russian context, it builds local institutional capacity that will continue to advocate for reform long after USAID departs from the country.

Once many of the basic reforms are in place, USAID has found it important to ensure the benefits of transition reach beyond the capital into secondary cities, towns, and rural areas. In Bulgaria, USAID established the Partners in Local Economic Development and Government Effectiveness (PLEDGE) program to target opportunities in regions with the highest poverty and unemployment rates. PLEDGE brings together participants from the public, private, and NGO sectors to discuss business conditions, make economic choices, and build partnerships. Over four years, the program has reached some of the poorest communities in Bulgaria through 197 economic development projects that have produced 534 new partnerships, 88 new businesses, and 3,535 new jobs. In 2004, the PLEDGE system will be incorporated into the Bulgarian Ministry of Labor and Social Policy and its Social

Investment Fund. The Bulgarian government plans to allocate $40 million over the next five years to continue this local economic development process.

Where central governments lack the political will to implement reforms or deliver services to towns and villages, we focus our resources at the local level. In Azerbaijan and Georgia, community mobilization programs are inspiring hundreds of communities to collaborate on the design and implementation of local improvement projects, from rehabilitating schools to cleaning out irrigation systems vital to agriculture. Over time, these efforts are augmented with support for micro business and NGO development. As these organizations mature, they become part of a growing constituency for change. Similar approaches have been used in Bosnia and Herzegovina, Kosovo, Macedonia, Serbia and Montenegro, and the Central Asia Republics to rehabilitate communities and promote inter-ethnic cooperation after a period of conflict.

In the last several years, USAID has advanced a highly participatory dialogue on the social aspects of transition. Because the impact of change on basic human welfare in Armenia has been so harsh, USAID initiated a comprehensive social transition program that coupled policy and systems reform with targeted direct assistance to the most vulnerable. Significant progress has been made in establishing the legal and regulatory framework needed for implementing fair and transparent social insurance and assistance systems. Pension reform also has met with considerable success in Bulgaria, Croatia, Kazakhstan, and Macedonia. In Croatia, for example, surveys among members of the workforce showed that acceptance and understanding of pension reform had increased from 30% to over 80%, following implementation of a USAID-supported public education program that provided details of this reform to the general populace. Workers are now signing up in large numbers to contribute 5% of their pensions to newly-created, private funds. USAID is continuing to support pension reform by working with the regulatory authority to ensure sound management of the private pension funds.

We have had some impressive successes in the health arena. For example, we have helped introduce modern approaches to tuberculosis control in the former Soviet Union and contributed to a significant reduction in abortion rates through reproductive health programs. USAID's women and infant health initiative has helped Russia achieve a dramatic (23%) decline in infant mortality since 1996. In Ukraine, the government was so impressed with USAID's 12 model primary health care centers that the Ministry of Health has now replicated the model to over 260 centers. Also, a USAID pilot program in Ukraine has demonstrated a 50% reduction in mother-to-child transmission of HIV. Understanding that efficient health services and healthy populations are critical to successful democratic and free market transitions, we are committed to expanding and strengthening our programs in combating HIV/AIDS, tuberculosis, and other priority health challenges facing the region.

URGENT ISSUES

In light of these many successes, however, we also face several large and growing problems—which, we believe, are causing backsliding in economic and democratic reform and could put the transition of some E&E countries at risk if they are left unattended. These issues are the rapid spread of HIV/AIDS, human trafficking, endemic corruption, latent conflict, and a need for greater attention to be focused on the fundamental values needed to create thriving democracies and market economies that will last far into the future.

HIV/AIDS. Experts on the spread of HIV/AIDS are warning of acute dangers in the near future because of the sharp rise of cases of HIV/AIDS in the region. Concerns are particularly focused on Russia and Ukraine, which have some of the highest HIV/AIDS rates of growth in the world. Although the disease is presently confined mainly to illicit drug use and prostitution, there is growing evidence that HIV/AIDS is moving into the general population. Access to illegal drugs, the coincidence of injecting drug use and prostitution, unprotected sexual relations, human trafficking, lack of blood security, and inadequate health systems, as well as unemployment and feelings of despair among youth are all contributing factors.

Human Trafficking. Trafficking in persons is an explosive human rights abuse and a highly lucrative, illegal and dangerous global business. An estimated 175,000 persons are trafficked in and through the E&E region, representing about 25% of all persons trafficked around the world. Most of the countries in the region are source and transit countries and some are becoming destination countries.

Corruption. Despite USAID efforts to address the issue of corruption across all sectors of its program, long-term gains have not yet been realized. Transparency International reports that corruption is perceived to be higher in Eurasia than any other region in the world. In Southeast Europe, it is roughly the same as found in

Latin America. The cost of corruption is enormous. It deters private investment, debilitates the institutions intended to serve citizens' needs, and undermines basic codes of conduct, trust, and cooperative behavior between individuals and groups.

Latent Conflict. While the outbreak of violence in E&E countries has diminished, the risk of conflict has not been eliminated. The lack of social cohesion, growing inequities in income and access to services, and a general distrust of government are all potential sources of conflict. The risk is particularly acute where democracy has stalled or declined, since the potential for conflict increases exponentially when groups within a country lack channels to voice their issues and petition for equal access and opportunity.

The Issue of Values. There is a common issue that permeates many of the transition obstacles discussed above. It is a failure to understand the importance of cultivating values that make democracy and private enterprise work for the greater good in society. A particularly serious problem in the region is the fundamental misunderstanding of what capitalism and democracy are. Too often, capitalism is understood to be individual greed. In fact, in the West, capitalism in its essence is a system of economic freedom within the context of the rule of law, which rewards initiative, hard work, and creativity. Furthermore, the evolution of free markets in the West has included the broad concept of societies providing a "social net" of protection for those individuals and their families who, through no fault of their own, have significant needs. Philanthropy is an important component of Western, free market society.

Democracy, also, is frequently misunderstood. Too often it is defined as "majority rule." But, free and honest elections do not alone ensure democracy. Such a truncated definition of democracy can be indistinguishable from fascism. Just because the majority—even the overwhelming majority—votes to commit genocide against a minority, it does not make it right or democratic to commit such an act.

Democracy must always be understood to consist of a whole series of elements: minority rights, religious freedom, separation and limitation of power, a vibrant civil society including an independent media, elections, rule of law, and a free economy. We must steadfastly affirm that the foundation for a full democracy, a free economy, and a healthy, compassionate society must be a bed-rock of values—values appealing to that within each human being which transcends narrow self interest.

Democracy and the Islamic Context. Examining the issue of values also provides an opportunity to look at the apparently growing divide between much of the Muslim world and western democracies. Among E&E transition countries, eight are historically Islamic while several more have significant minorities with Islamic roots. If these populations are economically or politically marginalized during the post-communist transition, the stability of the region can be put at risk. Unemployed and disillusioned youth in historically Islamic areas may be particularly vulnerable to the rhetoric of Islamic political radicals—radicals who often come from outside the region.

THE FY 2003-2004 PROGRAM AND BUDGET

Current Budget Trends

After 10 years of high assistance levels to the region, the FY 2003 budget and FY 2004 request reflect a realignment of priorities, including a significant decline in levels for key countries owing, in part, to progress made in reforms. The SEED appropriation for FY 2003 is approximately $522 million, of which USAID manages $357 million (68%) of the total. For USAID, this represents a funding decline of 16% from FY 2002. In FY 2004, the SEED request totals $435 million, of which $296 million (68%) is proposed for USAID programs. USAID's allocation represents a funding decline of 17% from FY 2003.

Reform progress in many of the Southeast Europe countries is permitting fairly dramatic budget reductions. Croatia and Bulgaria are now on a "glide path" towards graduation, with a final request for bilateral assistance funding coming in FY 2006, provided progress on reform continues. Pending further review, Romania may be put on a similar phase-out schedule. As the U.S. Government begins preparations to leave this sub-region, it will look increasingly to the Europeans to support the integration of Southeast Europe into regional institutions.

The FSA appropriation for FY 2003 is $755 million, of which USAID manages $452 million (60%). This is only a slight decline from FY 2002 levels, before two large budget supplementals related to the war on terrorism increased FY 2002 resources. The FSA request for FY 2004 totals $576 million, of which $418 million (73%) is proposed for USAID programs. The proposed drop for USAID funding between FY 2003 and FY 2004 is 7.5 percent. However, proposed changes in some country levels are even more telling.

In FY 2004, proposed USAID funding drops significantly for Russia (by 33%) and Ukraine (10%) in comparison to the current FY 2003 budget. Levels for Russia are declining, as the U.S.-Russian partnership in global matters continues to mature and economic assistance becomes less central to this relationship. Ukraine's lower funding level reflects difficult budget choices that had to be made among competing priorities, including increasing funding for the front-line states of Central Asia. Finally, I would note that the lower funding levels for all FSA recipient countries reflect the shift of roughly $110 million in funding for professional and educational exchanges from the FSA to the Educational and Cultural Exchanges account in the Commerce, State, Justice appropriation.

For their part, the Caucasus countries have been U.S. allies in the war on terror. They have much to accomplish in their transitions. They will, therefore, continue to receive significant resources. As for the Central Asian Republics, funding has increased significantly, starting in 2002, as a result of the heightened importance of this region since September 11. Country budget level trends for FY 2001-2004 are illustrated in Annex 2.5.

The Program

USAID's challenge is to maximize and sustain the impact of assistance for both countries that will continue to need our help and those expected to graduate in the near to medium-term. To do this, USAID is adapting its assistance strategy by adjusting core program areas to reflect transition progress and urgent issues; planning strategically for the phase-out of USAID country programs; and emphasizing critical crosscutting themes, such as values cultivation, to help sustain the transition over the long run.

Core programs. We are incorporating new ideas into our core program areas of economic, democratic, and social transition to reflect the advances and vulnerabilities in transition status. Two emerging themes in the economic growth area are building trade capacity and increasing competitiveness. These initiatives pragmatically "marry" macroeconomic reforms and microeconomic foundations for business growth and link these efforts to demand in the marketplace. We also continue to have a significant role to play in working with micro and small business, in providing business development services, and in building access to finance, together which will help reduce unemployment—a significant issue within the region.

In the democracy area, we firmly believe that our overall accomplishments in transition cannot be accomplished without consistent improvements in civic and political freedoms, particularly in Eurasia. To this end, we are augmenting our traditional programs (NGO development, independent media, judicial and parliamentary strengthening, and local governance) with the intention to emphasize even more than in the past those universally recognized values that buttress a full understanding of democracy. These include majority rule and minority rights, good governance, freedom of speech and press, rule of law, religious freedom, human rights and civic participation. USAID is also including conflict prevention programs and modules into strategies for at-risk countries, such as Georgia, Macedonia, and the Central Asian Republics.

In the social area, we will continue to develop awareness and targeted initiatives to broaden access to the benefits of reform, thereby sustaining support for the transition to democracy and free markets. We are redoubling efforts to fight the spread of HIV/AIDS, stem the growing tide of human trafficking, and mitigate the adverse impacts of transition, including such programs as public-private partnerships for social insurance and pension reform.

Planning for program phase-out. In the face of lower resource levels, considerable adjustments to USAID's bilateral and regional transition programs are required. In keeping with the State Department's Balkans Assistance Policy, USA]D is using increasingly scarce monies to place greater emphasis on civil security, including the rule of law, independent media, and democratic reforms. An overriding theme in phase-out planning will be to find ways to decrease the region's vulnerability to conflict and ensure that political and economic instability do not provide a seedbed for terrorist activity and financial networks. In Eurasia, highest priority will be given to assuring, as much as possible, the irreversibility of the economic transition, to focusing on accelerating progress in democracy and governance, and to helping to control the spread of HIV/AIDS and multiple drug resistant tuberculosis (TB). These emphases are reflected in resource allocations across sectors (see Annex 2.4).

Systematic planning for the eventual end of assistance enables USAID to ensure the sustainability of assistance gains in a number of ways. These include: focusing resources on the most critical vulnerabilities and gaps in a country's transition, determining areas that may need attention after USAID departs, and preparing for an orderly close-out of activities. Phasing-out a bilateral program is by no means

the end of our connections. We have continued our close connections, including some modest funding, to the eight European Northern Tier countries, and we will do the same with those who "graduate" in the next few years. These countries are our allies and friends, and we seek their partnership in addressing a range of development issues, such as trade and investment, infectious disease control across borders, and drugs and human trafficking.

Building on our experience with the European Northern Tier graduates, USAID is exploring appropriate post-presence initiatives as a way to consolidate assistance gains and carry support for democracy and markets into the future, even after a local USAID mission is closed. Post-presence initiatives include wrap-up activities that complete work already underway, support to local organizations—such as NGOs—to sustain results already achieved, and legacy mechanisms and partnerships, which could be of a bilateral or regional nature.

For example, one of the legacy mechanisms created as the European Northern Tier countries prepared for graduation was the Baltic American Partnership Fund, which continues to provide an environment for Baltic NGOs to be forces in sustaining the transition to market democracies. Another is the Polish-American Freedom Foundation (PAFF), which was established with earned proceeds of the USAID-supported Polish-American Enterprise Fund. PAFF is a private, nonprofit organization that uses income from investments to promote economic and democratic reform without requiring active USAID involvement. Recently, the newly-formed Balkan Trust for Democracy was set up jointly by USAID, the German Marshall Fund, and the Mott Foundation. This public-private partnership establishes a $25 million Trust that will provide continuity and grassroots support for democracy and good governance through a small grants program.

This partnership with the German Marshall Fund and the Mott Foundation is but one example of USAID/E&E Bureau's commitment to developing private-public alliances under our Agency's Global Development Alliance (GDA) business model. In FY 2002, the Bureau obligated nearly $15 million that was matched by nearly $39 million from private sector partners, much of which was devoted to the Earthquake Zone Alliance in Armenia. With the support of USAID's GDA Secretariat, both Washington-based and field staffs are receiving training in the identification and development of public-private alliances. We expect each of our overseas missions to redesign past activities or design new ones to leverage additional funds from the private sector.

Crosscutting themes. To augment and support the efforts of our Missions overseas, we are allocating part of the regional budget to fund interventions intended to incorporate values into core programs. Specifically, we will invite qualified partner organizations to propose innovative ideas that cultivate and strengthen universally recognized values in support of USAID's program goals in the economic, democratic, and social transition. USAID also is committed to promoting democracy and human rights in an Islamic context and to minimizing opportunities for violent extremism in historically Islamic areas.

Corruption and conflict are also critical crosscutting issues and relate substantively to the E&E Bureau's new initiative on values. Overcoming corruption requires not only the strengthening of laws and institutions, but also cultivating the capacity for honesty and good will inherent in all societies. Reducing the risk of conflict within and between countries necessitates a respect for the dignity and worth of every human being, regardless of their religion, ethnicity, or worldview. To this end, we are helping our field Missions to systematically analyze current portfolios through corruption and conflict lenses and to incorporate these types of assessments into new program development. Our Washington headquarters office is also developing a system to track conflict-related trends to enable cross-country analysis and better targeting of resources in this area. Finally, we are working in tandem with USAID's new pillar bureaus to address these issues. For instance, during the past year, the new Conflict Management and Mitigation Office with the Democracy, Conflict, and Humanitarian Assistance Bureau helped our Missions in Armenia, Georgia, and Kyrgyzstan to conduct conflict assessments as part of strategic planning preparations.

In all our programs, we will continue to emphasize themes such as democratic and economic governance, host country ownership, performance, and accountability, themes that have assumed even more importance with the President's landmark Millennium Challenge Account (MCA) initiative. The issues of improved economic, democratic, and social governance—key themes of the MCA—traditionally have been at the heart of all the Bureau's transition work. We endorse strongly the MCA premise that economic development assistance in poor countries works best when sound policies are pursued that are conducive to growth. We also will redouble efforts to get other members of the donor community to focus on these themes, a key

point made in the publication "Foreign Aid in the National Interest," a report promulgated by our Administrator—Andrew Natsios. In sound policy environments, every dollar of aid attracts two dollars of private capital.

ASSISTANCE FROM THE FOREIGN RELATIONS COMMITTEE

You asked in your invitation to us if there was any way that you could help us out. In general, we are most pleased with the authorities that you have accorded us. They provide us considerable flexibility and latitude in our programming. We especially appreciate "notwithstanding authority." That has really helped us in program implementation and is one factor contributing to the impressive development results that we have been able to achieve in such a short time.

We are also finding one tool to be excellent—Development Credit Authority, although we recognize that it has been appropriated but not authorized. It permits us to leverage significant support for our recipient countries at small budgetary cost to the U.S. government. We already are reaping considerable benefits from the use of this innovative tool, e.g., a $20 million housing facility for Croatia and a $6 million Ukraine agri-business program.

We are reviewing other areas where legislative changes could provide flexibility to address the new challenges that the E&E region is facing, including HIV/AIDS, Muslim World Engagement, Trafficking in Persons, clean air emissions, and other pressing priorities. After we review the types of changes needed within the Administration, we look forward to discussing any needed changes with the Committee.

CYPRUS, NORTHERN IRELAND AND THE REPUBLIC OF IRELAND, AND TURKEY

Outside the E&E transition countries, USAID is managing program resources in other areas. Traditionally, Congress provides Economic Support Funds (ESF) to Northern Ireland and the Republic of Ireland and Cyprus to promote reconciliation and conflict resolution through local, bi-communal initiatives. The FY 2003 appropriation for Cyprus is $15 million and $25 million for Northern Ireland and the Republic of Ireland (excluding the Walsh Visa Program). The FY 2004 request proposes $7.5 million for Cyprus ($7.5 million reduction) and $8.5 million for Northern Ireland and the Republic of Ireland (a $16.5 million cut).

The FY 2004 budget request also proposes $200 million in ESF funds to Turkey for debt servicing in support of its economic recovery.

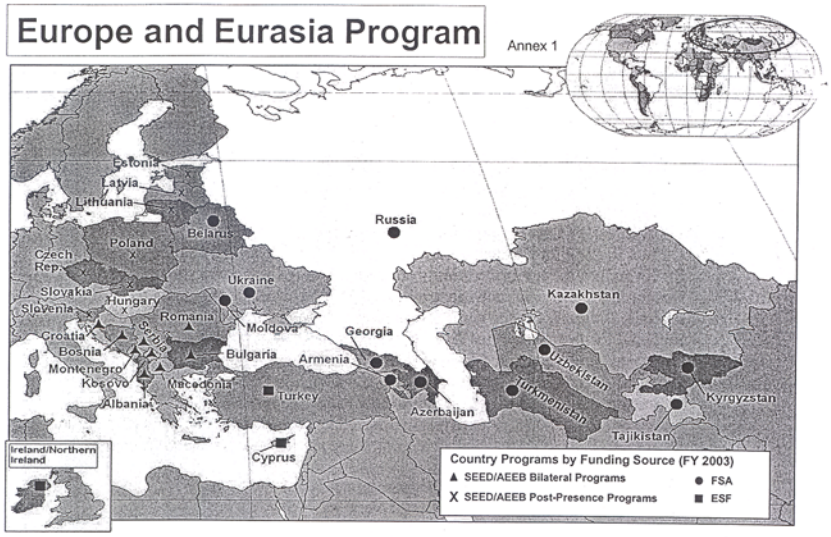
CONCLUSION

USA]D remains committed to the important task of promoting democracy, free markets, and social stability in Eastern Europe and the former Soviet Union. We are proud of our successes, and yet we are very aware that there is much left to be done. The remaining work to further stabilize the Balkans and Eurasia is closely connected to U.S. strategic interests to promote stability, nurture important allies, and reduce opportunities for the spread of terrorism where stability is not present. As new priorities emerge in other parts of the world, I urge the distinguished members of the Senate Foreign Relations Committee to provide continued support to the program in Europe and Eurasia so that we can achieve the worthwhile and strategic foreign policy objectives which are so vital to U.S. and regional interests in this important part of the world.

Thank you, Mr. Chairman. I would be most pleased to answer any questions you or the Committee may have.

Annexes

ANNEX 1: MAP, NOTING SEED, FSA, AND ESF COUNTRIES.



E&E Transition Countries:
(Excluding Cyprus, Ireland and Turkey)

- **Population:** Approximately 410 million
- **Size:** One-sixth of the globe's land mass
- **Gross Domestic Product:** $857 billion in current US dollars. (2001)
- **GDP Growth:** 3.4% annual (2002)
- **Foreign Direct Investment:** $24.4 billion (2001)
- **Private Sector share of GDP:** 62% (2002)
- **Energy Resources:** 38% of world's known gas reserves, and 6% of oil (Jan. 2001)
- **Per capita annual Income:** $1,960 compared to $22,404 for European Union (EU) (2001)
- **Infant Mortality:** 15 deaths per 1,000 live births, compared to EU average of 5 (2000)
- **Life Expectancy:** 69 years, compared to EU average of 78, male/female combined (2000)

Transition Programs:

- **Funding Source:** Assistance for Eastern Europe and the Baltics (AEEB formerly SEED) and Freedom for Russia and Emerging Eurasian Democracies and Open Market Support (FSA) Acts
- **Total appropriations through FY 2003:** $15.9 billion (SEED - $6.3 billion; FSA - $9.6 billion)
- **FY 2003 Appropriation Levels:**
  - **AEEB:** $522 million (USAID -- $357 million)
  - **FSA:** $755 million (USAID -- $452 million)
- **FY 2004 Request Levels:**
  - **AEEB:** $435 million (USAID -- $296 million)
  - **FSA:** $576 million (USAID -- $418 million)
- **Program Areas:** Economic Growth; Democracy and Governance; and Social Stability
- **Graduates from Bilateral Assistance:** Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Slovakia and Slovenia

Other Programs:

- **Ireland and Cyprus:** Economic Support Fund (ESF), non-presence programs promote reconciliation and conflict resolution through local and bi-communal initiatives. FY 2003 Appropriation level - $15 million (Cyprus) and $25 million (Ireland); FY 2004 Request level - $7.5 million (Cyprus) and $12.5 million (Ireland).
- **Turkey:** Economic Support Fund (ESF), FY 2004 Request is $200 million.

ANNEX 2: SEED AND FSA FUNDING TRENDS.

E&E Budget Trends and Funding Levels

Appropriation Trends, FY 1992-FY 2004 (see Chart 2.1)

- Early SEED funding averaged about $400 million annually. Following a peak of $497 million in 1996, resources for Europe started to decline as the countries in northern tier Europe approached graduation from bilateral assistance. Higher levels after 1998 reflect additional support to Southeast Europe as a result of the Kosovo crisis and the changing political landscape in Croatia and Serbia. The drop in levels beginning in 2003 reflects progress in Southeast Europe and planning for graduation.
- FSA funding peaked in FY 1993 due to a supplemental appropriation resulting from the Clinton-Yeltsin summit in Vancouver, Canada. The funding level for 1995 also spiked as a result of increased resources for Russia. Funding for Eurasia has stabilized around $800 million annually between 1998 and 2001. Appropriations have contained substantial earmarks and directives for Armenia, Georgia, and Ukraine, as well as funding for the Clinton Administration's Expanded Threat Reduction Initiative (ETRI). The drop in levels in FY 2003-2004 reflect a realignment of foreign policy priorities and a separate appropriation for the Educational and Cultural Exchanges Account in the Commerce, State, Justice 2004 appropriation.

Resources to USAID and Other USG Agencies (see Charts 2.2)

- U.S. assistance to Europe and Eurasia is overseen by a legislatively-mandated State Department Coordinator and implemented by various USG agencies. USAID has managed the largest portion of assistance to the region, although percentages have varied.
- The strong, multi-agency USG response to the Kosovo crisis resulted in an increasing share of SEED funds transferred to other agencies during 2000.
- The share of total FSA funding managed by USAID decreased from 62% in 1999 to a low of 52% in 2000, as the administration implemented ETRI. Since then, USAID's share has gradually increased.

Budget Allocations by Sector (see Charts 2.3 and 2.4)

- SEED and FSA funding support the transition of the region to market-oriented democracies. Resources are allocated to four broad program areas: economic restructuring; democracy; social transition; and humanitarian assistance.
- Cumulative obligations through FY 2002 (chart 2.3) show that the economic restructuring area (including energy and environment) has captured the lion's share of resources at 53%. This percentage is gradually decreasing as an increased proportion of SEED resources are allocated to democracy-building.
- Humanitarian assistance (about one-fifth of obligated resources) has addressed the fallout from conflicts and natural disasters, particularly in the Caucasus subregion, Tajikistan, and the countries and provinces that comprised pre-1989 Yugoslavia. Humanitarian programs provide emergency relief and lay the foundation for recovery through community-based, self-help projects.
- Social sector resources support improved health care and provide for a social sector strategy that addresses the social safety net issues related to transition.

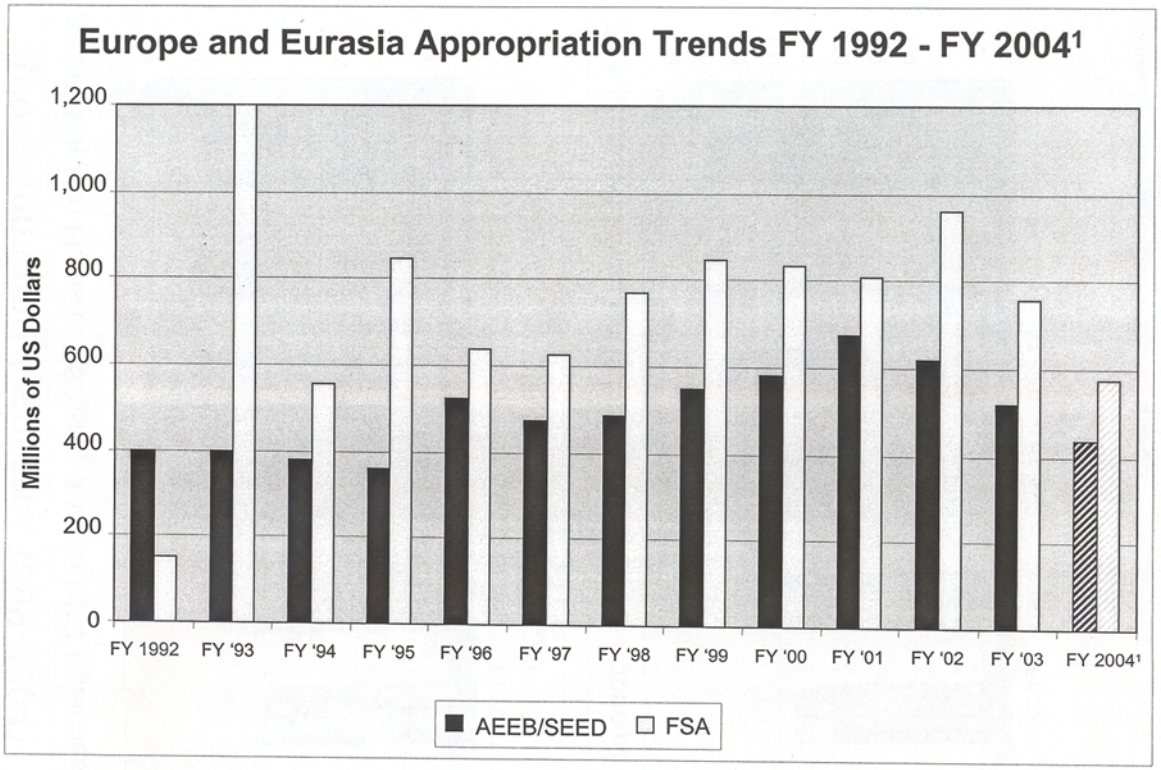
Country Budget Levels, FY 2001-2004 (see charts 2.5)

- SEED and FSA budget trends for each country are shown.

FY 2003-2004 Budget Levels Compared (see charts 2.6)

- Current funding for Kosovo, Montenegro, and Serbia constitutes 45% of the total SEED budget, reflecting the priority attributed to the post-Kosovo situation. Bosnia and Macedonia each capture 10% of SEED resources. Programs for Albania, Bulgaria, Croatia and Romania each share between 5-6% of resources. Regional funds include legislative earmarks for the Baltics ($5.0 million). It is anticipated that the country share of SEED resources will vary only slightly in FY 2004.
- In Eurasia, Russia and Ukraine capture the greatest proportion of FY 2003 FSA resources (20 and 18%, respectively), followed by Armenia and Georgia (12% and 11%). In the FY 2004 budget request, these proportions decline for Armenia, Russia, and Ukraine.

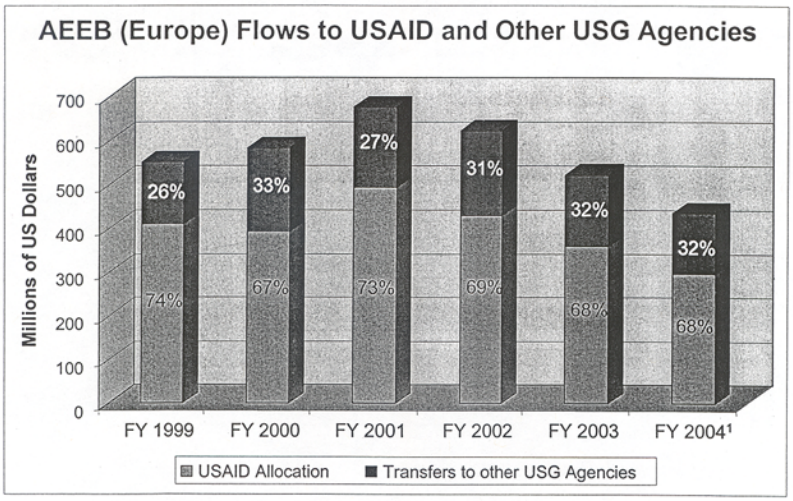
Annex 2.1

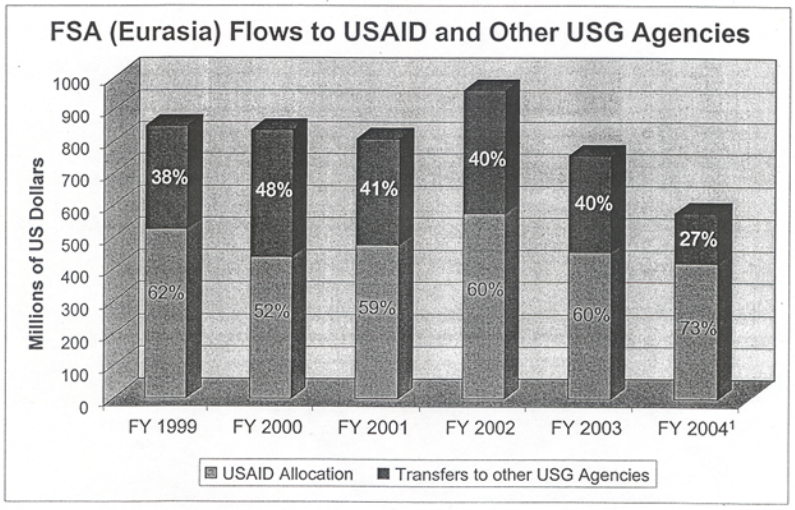


1. FY 2004 levels represent the Administration's Request to Congress.

Annex 2.2

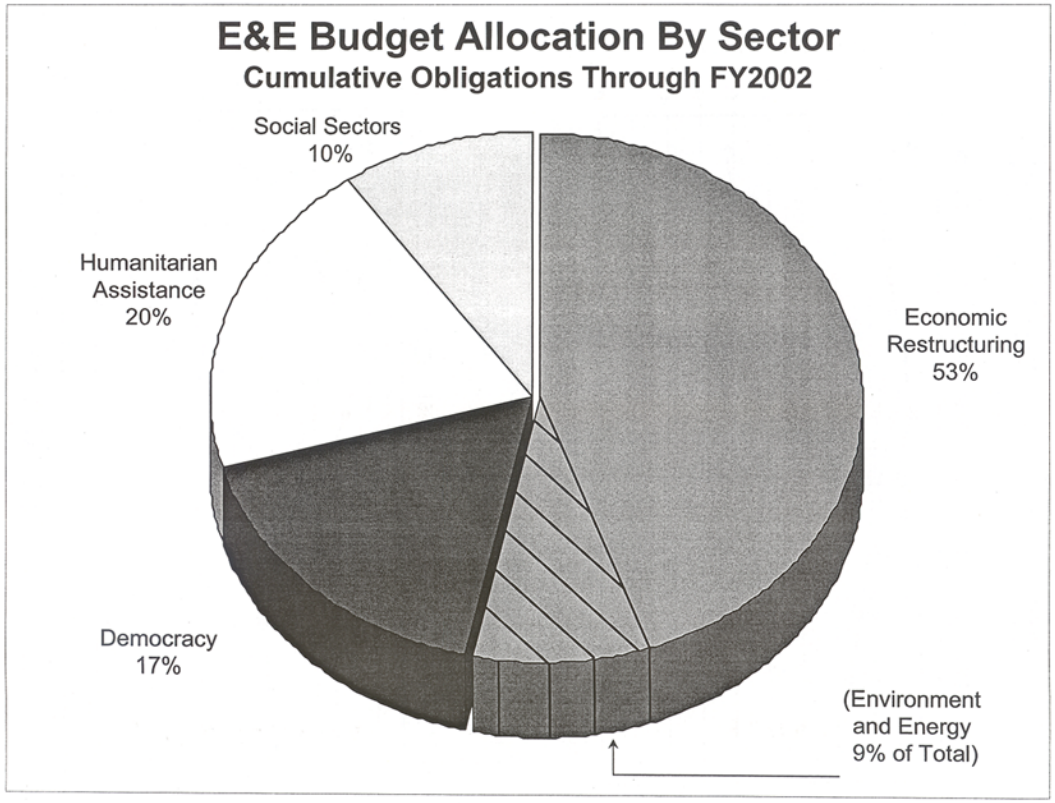
Allocations and Transfers 1999-2004[1]





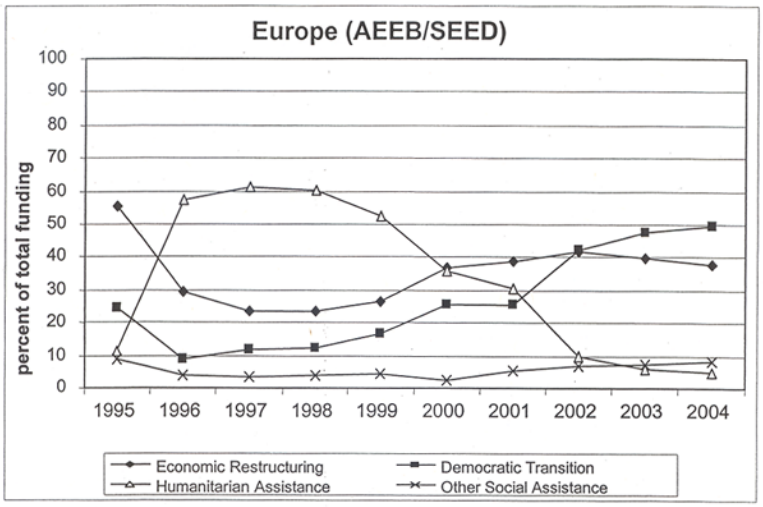
1. FY 2004 levels represent the Administration's Request to Congress.

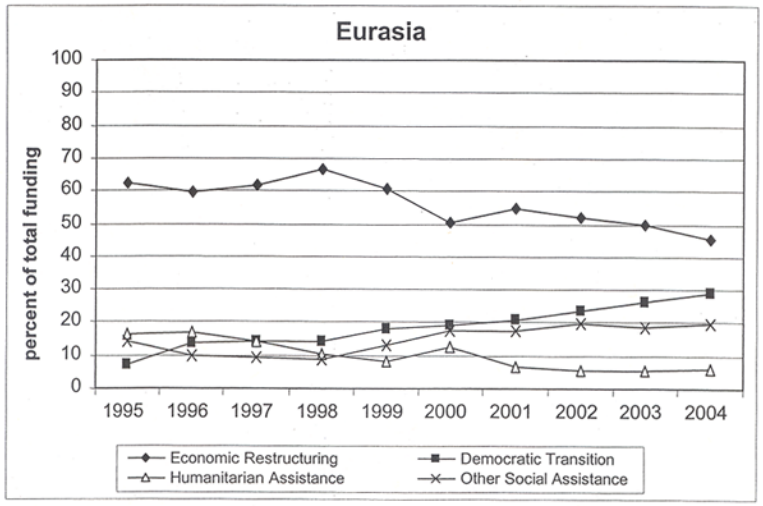
Annex 2.3


E&E Budget Allocation By Sector
Cumulative Obligations Through FY2002
Social Sectors
10%
Humanitarian
Assistance
20%
Economic
Restructuring
53%
Democracy
17%
(Environment
and Energy
9% of Total)

Annex 2.4

USAID Funding Across Sectors

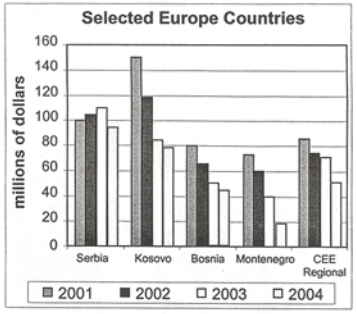


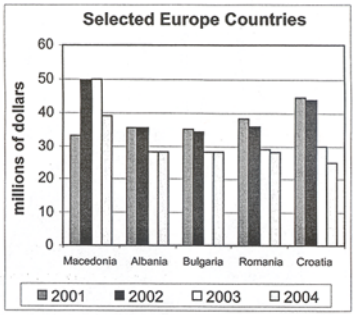


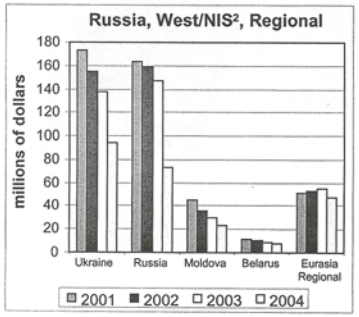
ata through 2001 are actual obligations, data for 2002, 2003 and 2004 are appropriations or requests from the ongressional Budget Justification document.

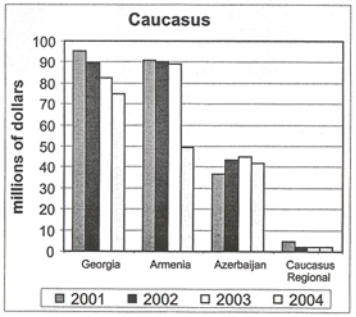
Annex 2.5

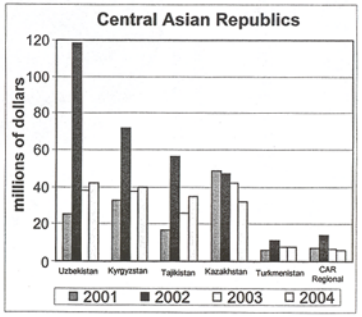
SEED and FSA Budget Trends by Country
FY 2001-2004[1]







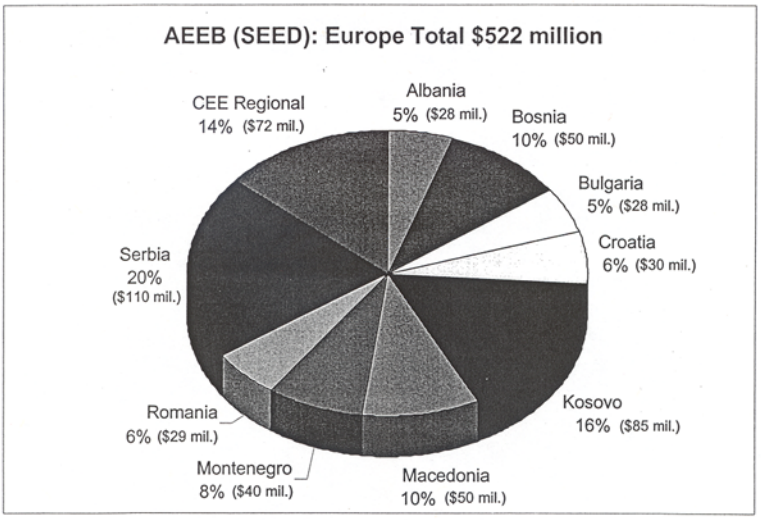


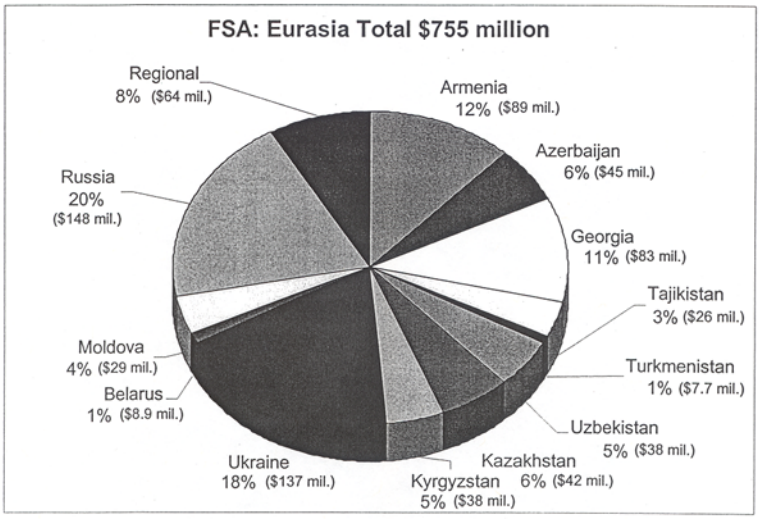


1. Data for 2001 to 2003 are appropriation levels; 2004 data are request levels.
2. West/NIS countries are Belarus, Moldova and Ukraine.

Annex 2.6 a

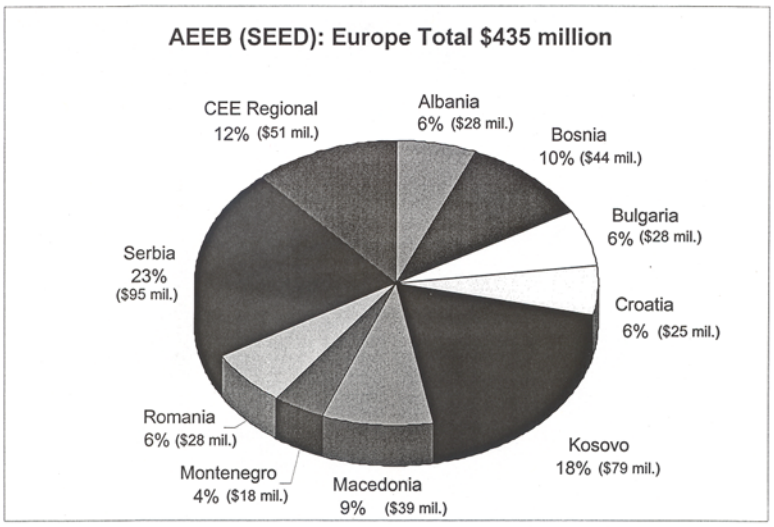
FY 2003 Budget Levels

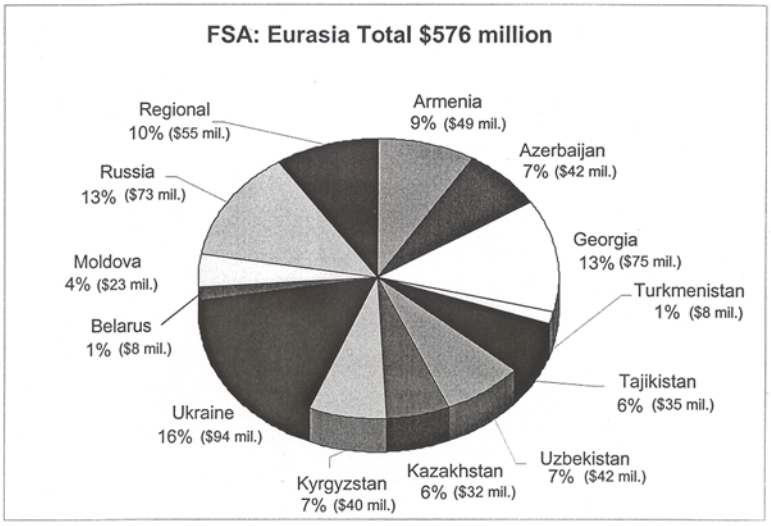




Annex 2.6 b

FY 2004 Budget Request Levels





Senator ALLEN. Thank you, Mr. Hill and Secretary Ries, for both your statements and your outstanding leadership on behalf of our shared principles in these areas from Eurasia to northern and southeastern Europe.

Before I ask some of these questions, I do want to preface my questions with what is on everyone's mind right now—in the countries in which you all are discussing and the focus of this hearing, in particular, in Europe and Eurasia.

There are concerns with some of our allies, NATO allies, concerns with Russia, Turkey, France, Germany, Belgium. In this

country—and you hear it, you read it, "Gosh, why aren't they with us." It is my belief that we will prevail in Iraq with our willing allies. We will disarm Saddam and that regime and we will liberate the people of Iraq.

The extent that some of these countries will want to assist in the rebuilding of Iraq remains to be seen. It will need to be done consistent with our principles in recognizing the right of the Iraqi people to have the assets of their oil as a national asset and the whole list of priorities and principles that will guide us, not just in the military action, but, more importantly, after the military action is successfully concluded.

In the aftermath of the military action in Iraq, I think there probably has to be a new recognition that we are not always, or may not always, rely on people who, or countries that are normally our allies. We may not be able to rely on them all the time. That is a new reality, maybe a sad reality. You like to have your whole team and all your allies with you every time. Sometimes you do not. But taking the long view, while we have these concerns right now, I think it is very important that we do not unnecessarily make some of these countries adversaries, because there are many other endeavors—whether it is in the Balkans, whether it is the war on terrorism, whether it is Afghanistan, and who knows what other crisis—we would want to have them shoulder-to-shoulder with us sharing that risk, sharing that burden.

Now, let me pose this question insofar as foreign assistance to Turkey. It is my understanding that we are continuing to provide Turkey with significant foreign assistance. And let me just say, Turkey is vitally important to us for a variety of reasons, so that our real enemies do not use religion as a reason or a cause for their violent anti-American interests or actions. Now, I know Secretary of State Powell has just left Turkey. I think it would be helpful for the committee and all Americans to give your perspective of the meeting with Turkey. There is significant aid in here for Turkey, and if you could go over the strategy of using foreign assistance with regard to Turkey, I think this committee and the American public, the taxpayers, would benefit from that perspective.

Whichever one of you all wants to handle that. Probably you are the best, Mr. Ries.

Mr. RIES. Thank you very much, Senator. I will start, and Kent may want to add something.

First of all, Senator, I share your view of Turkey. I must say, personally, I spent a year of my life learning the Turkish language, served in Turkey, I have a great affection for the people in the country. I agree with you that it is in a key piece of real estate. It is the leading secular democracy in the Islamic world. It is proof that an Islamic country can have a market economy, can be democratic. And the Turks have been stalwart friends of the United States for many years.

The conflict in Iraq came upon Turkey, a month into this new government, shortly after they took office. It is a party that has not been in power before. They were confronted not only with the hard choices and widespread public opposition about the war, proposed military action if the Iraqi regime did not comply with U.N. Security Council mandates, but they also faced very difficult choices in

their relations with the European Union and the widespread interest, including our own interest, in seeing a permanent settlement to the divided island of Cyprus. All those things hit the government quickly on taking office, and the leader of the AK Party, Mr. Erdogan, in fact, did not even have an official governmental position.

Many of these situations have been worked through. We had asked the Turks for very serious help in order for an infantry division to, if necessary, land assault on Iraq through their territory, and a variety of other kinds of assistance. The government swallowed hard and put that to the Parliament at the beginning of last month and lost. I think we have to respect the fact that they made a very serious effort to get this through. And we can go into the details of why they lost, but, nevertheless, they have lost.

We have made a proposal in the supplemental for a significant sum of money to assist Turkey, nonetheless. A lot less than we would have if we had had full cooperation for our land forces.

The Turks, for their part, have gone back to Parliament and gotten parliamentary approval for overflight by U.S. aircraft in the conflict in Iraq. And Secretary Powell has just been there, as you mentioned today, and had very good meetings with President Sezer, now Prime Minister Erdogan, Foreign Minister Gul, and the Chairman of the Turkish Joint Chiefs of Staff. And through those meetings, the Secretary got the Turkish commitment to allow us to supply our forces with food, fuel, and water across Turkish territory, to allow humanitarian assistance to pass over Turkish territory into the north, and reaffirmed their commitment to allow overflights. This is making a major contribution to the war effort for us.

And we continue, of course, to be interested in Turkey's own economic development and success.

Senator ALLEN. Before you go further, they are letting our troops get fuel, food, and——

Mr. RIES. Food, fuel, and water across Turkish territory on land.

Senator ALLEN. For our troops.

Mr. RIES. And for the region, yes, and humanitarian assistance. The Secretary just had a press conference a couple of hours ago and discussed this.

Senator ALLEN. We were in a top-secret briefing looking at the whole thing.

Mr. RIES. Sometimes it is hard to tell in a top-secret briefing what is really important, because you can't watch CNN.

Senator ALLEN. Go ahead. Well, that is some progress.

Mr. RIES. That is considerable progress.

Senator ALLEN. And I also understood that—and what was resolved as far as Turkish troops going into Northern Iraq if you are allowed to say that?

Mr. RIES. We have an agreement with Turkey that they would not, absent some severe threat to their national interest, which I guess any country would add to the proposition, but they have agreed not to go in unilaterally. They have agreed to consult with us about the situation in the north and reaffirm that with the Secretary.

Senator ALLEN. And do they recognize or agree that the refugee concern that they had of Kurds leaving Northern Iraq into Turkey—which did happen back in the 1991 war.

Mr. RIES. It did happen. 30,000 in 1991.

Senator ALLEN. But right now, from all information that I have received, and this is from State Department people, that there have been virtually no refugees leaving Northern Iraq going into Turkey.

Mr. RIES. That is right, and they agree with us on that.

Senator ALLEN. They agree with that. All right. Well, if you could go forward on our strategy again.

Mr. RIES. Well, I think our strategy—Turkey has its own considerable economic challenges. You are aware, Senator, that the Turkish public and widespread sections of the business community believed that the conflict in 1991 led to a persistent period of economic weakness for the country. Their economists argued that on various points, but it is a political fact that they believe that the 1991 conflict harmed their economy and that the assistance that they received from the international community was inadequate. The Turkish economy now, even before our conflict, faced some very serious challenges. Interest rates are too high. They have problems in a variety of sectors and they have had a series of arrangements with the IMF.

We have been very clear that we think that the Turkish Government ought to stay the course with the IMF in its own interests, and we have been supportive of the tough choices that they have needed to make in that process. Our assistance will help them meet their very serious macroeconomic challenges as well as help their military with its own re-equipping program, which is a contribution to NATO.

Senator ALLEN. Mr. Hill.

Mr. HILL. Just a couple of comments. It should be obvious, I am sure, that whatever amount is finally appropriated to Turkey will flow through this Bureau or through whatever mechanism is decided not in the traditional assistance way the programs often do. Whether it is cash transfers, or loan guarantees, or, as Mr. Ries pointed out, other ways that will help at a macro level, it is not typical development assistance.

I do want to note something about what you said regarding your concerns about the relations with European allies, and here I have four quick points.

It would seem to me that the lesson since World War II is that the remarkable strategy of the Marshall Plan, which said even countries that had been former enemies should be helped to establish democracy and restore their economies, paid wonderful benefits to us during the Communist era, during a very dangerous time. I think when the history of the 20th century is told about America, that is going to be one of the shining moments of American history.

But there is a followup to this, and this is my second point. What we have done since 1989, again, with former enemies—whether it is the Warsaw Pact or the Soviet Union—the assistance, the billions of dollars that have flowed in this direction, have in fact, once again provided us with extraordinarily loyal allies. It is no coincidence that in Eastern Europe, about 11 countries, by my count at least, and four in the FSA account, are very supportive of U.S. pol-

icy—tough policy with respect to Iraq. I do not think it is a coincidence. I do not think it is accidental.

Or consider what we did in the 1990s with respect to the Balkans and Kosovo and Albania and the struggles that were there. Our defense of Muslim populations has gained us tremendous support in that part of the world. When I visit Albania, I do not think there is a country I visit in the region where I sense that there is more genuine love and respect for the United States than in that country, which is overwhelmingly Muslim.

Third, with respect to Russia, I know that we are at a bumpy place in the road with respect to their attitude toward Iraq, but I think any sane political scientist or student of history would acknowledge that despite this rough place in the road, the relationship with Russia is fundamentally different from 15 years ago, and we will get through this era. There is so much common ground between Russia and the United States that that relationship, I do not believe, is going to be fundamentally or for a long time damaged by this disagreement over Iraq. And again, I think it is partly because of our assistance strategy, which has involved us there.

Fourth, I would point out that as we think about ways to repair the relationships with some of our European allies, it is worth noting that there is already—going on now, goes on throughout this conflict and beyond—very good collaboration and coordination between U.S. foreign assistance, USAID, and European donors and the E.U. We invariably meet with these folks on our trips. We talk about who should be involved in what part of the development's pie, and that relationship will help us, I think, restore better relations even with some of the Western European allies that have been strained in recent days.

And one final point with respect to Turkey, since you were mentioning the relationship with Turkey. I actually believe that Turkey is going to be of help to us in Europe and Eurasia with respect to those 8 out of 19 major recipient countries that have historically an Islamic population. When we are trying to make the case that you do not have to choose between being a serious Muslim and being a supporter of democracy and free markets, you need to have people within the Muslim world who have experimented with this. Turkey, of course, is a prime example of this. I would expect that we will use in our Bureau contacts with Turkey to allow the dialog that will go forward in Central Asia and Bosnia and Albania and Azerbaijan, et cetera. When there is a debate about whether it is compatible to be a supporter of democracy, religious freedom, and human rights and be a serious Muslim, our Turkish allies will be of help to us.

Senator ALLEN. Thank you both for your comments. I agree with you. That is what I was alluding to insofar as Turkey as an example, and also, for those who try to say that our values are U.S. values and try to turn everything into religious differences, Turkey is very beneficial. And, in fact, when Turkey had some efforts in Afghanistan, that was very helpful to us insofar as stopping the arguments of those who like to divide people based on religious intolerance.

And I agree with you on the lessons of World War II, the Marshall Plan as a prime example. We are proud at VMI and in Vir-

ginia, of the Marshall Plan. It is a shame that some of those countries do not remember recent history, or maybe appreciate it, whereas those who were formerly in the Warsaw Pact, Poland, the Czech Republic, Hungary, even the aspirant countries in the Baltics, Romania and others are very much appreciative and are enjoying the invigorating breeze of freedom through their lungs after being repressed for so long.

And again, through this, we have to make sure, we do not unnecessarily create adversaries in this situation. And the focus so much on the few countries of Europe, particularly Western Europe, who are opposed to us, let us not forget that the vast majority of the countries of Europe are with us and are willing partners in this endeavor.

As far as Turkey, you also mention their influence or ability to work with other Muslim countries. One issue that has come up has to do with oil and Azerbaijan. For the fiscal year 2004, what is the aid that is envisioned for Azerbaijan as a result of the President's January 2003 exercise of the waiver to the Freedom Support Act, section 907, which limits aid to Azerbaijan. I would like to know what aid is being requested to support the building and the security of an oil pipeline for Azerbaijan to Jeyhan, which is a Mediterranean port of Turkey.

Mr. HILL. You want to deal with security and I will deal with the rest?

Mr. RIES. Yes. First of all, on our requests, we have requested basically $41 million for fiscal year 2004 for Azerbaijan. We are presently spending out of FSA funds, Freedom Support Act funds, $43 million a year, of which $4 million is security and law enforcement.

The security funding is largely border security, as I was mentioning in my opening comments, expenditures for anti-terrorism assistance, equipment and training, English language training for the border security forces. We are also helping them with anti-money-laundering and anti-terrorism legislation, data information systems management, and the judiciary rule of law, as well as other economic programs that Kent will cover.

We are not, as far as I know, providing specific security assistance to provide security for the pipeline, which, after all, does not go just through Azerbaijan, it also transits Georgia on the way to Jeyhan and Turkey. I think that the governments are capable of providing that security, working with the owners of the pipeline.

Mr. HILL. Several points. First, of all the countries of the former Soviet Union, despite the fact that the FSA levels in general are going down, if you look at the numbers for Azerbaijan, they are actually going up, which is indicative of the fact that we believe there is important cooperation and work that can go on there.

The second thing, of course, that is important to remember about Azerbaijan is that with the 907 waiver, which allows USAID and other agencies of the government to work with the government directly, there are opportunities that we did not previously have. And so, for example, we are doing work with the Azeris and their government with respect to macroeconomic reforms. We are trying to create a climate—regulatory climate—that will be more open to small- and medium-enterprise development. But we have a whole

portfolio of reforms in Azerbaijan which go beyond economics to civil society and social transition sorts of things.

So we have more opportunities than we have had in recent years to have a fuller portfolio of programs there, and we all expect that within a few years, the assistance level will be able to drop dramatically because once the oil really begins to flow here, they should be able to take care of a lot of their needs. And that is why right now it is important to help them make some of the structural economic changes that will allow them to make use of that additional revenue and use it in a way that helps the population.

Senator ALLEN. Thank you. Now on to Armenia. There is a concern that I have as well as my colleagues about the declining amount of foreign aid going to Armenia. While progress has been made in Armenia, there are those of us who feel that without a continued commitment of U.S. assistance, the country could revert back to previous policies.

If you could share with me, with our committee, what is the benchmark, or what is the logic for reducing aid or the aid package for Armenia?

Mr. RIES. Let me make a couple of general comments and then Kent, I am sure, can speak to the specifics.

First of all, the decline in funding for Armenia is somewhat less than might appear because of the decision to move the exchange programs to the budget line for the Educational and Cultural Affairs Bureau as public diplomacy spending, which was sort of an administration-wide good housekeeping budget policy decision.

For example, in fiscal year 2002, we spent $90 million in Armenia, of which $13 million was for exchanges. So the sort of net on economic development and other security and other related spending was $77 million or so. Some of the reason for the decline is the fact that the overall Freedom Support Act budget request has declined, and some of it reflects the success of previous programs.

We have micro-credit programs, for example, in Armenia that have become self supporting. We have supported reforms to the electricity sector which have taken, and so forth.

We continue to be committed to assistance for Armenia. We think Armenia is an important country, and the kinds of programs we are doing, the exchanges for example, have a long-term horizon and we want to support the very good performance that we have seen in certain areas in Armenia over the last few years.

Mr. HILL. First a little bit on the context. You are correct to note that Armenia really does have a steep mountain to climb in terms of dealing with its problems. When you consider the fact that during the Soviet period, Armenians felt protected by the Russians, they unlike some peoples of the former Soviet Union were more vulnerable when the Soviet Union broke up. Some of the subsidies and support they had disappeared.

No. 2, you had the devastation of the 1988 earthquakes. I mean even within recent months, USAID assistance is still going to deal with some of those problems. You are talking about a very high level of poverty in Armenia, a land-locked country, and a tremendous outflow of population. So all of those factors keep the situation difficult.

On the other side, it must be noted that of all the countries we give assistance to in Eastern Europe and the Balkans, the highest per capita rate of assistance goes to Armenia. And so, we have been very generous. The Congress has been very generous with trying to support the Armenians, and that reflects itself in that high per capita amount of assistance that goes to Armenia.

There's another point that's probably worth noting and that is that typically, if you look at the funding patterns over the last few years, Congress has tended to raise by about 20 percent over the request levels of the administration, the amounts for Armenia. I simply mention that to note that although it may be the judgment of the administration that in fact funding priorities might better be spent than another way in their judgment, the final dollar amount listed in the request may not end up being the final amount that gets appropriated in Armenia.

And finally, I'd simply note that I think some of our most successful programs are in Armenia and it's partly because of the wonderful collaboration USAID has with Armenian diaspora groups and organizations who are unusually loyal and we are trying more and more to collaborate with them to leverage U.S. foreign assistance dollars so that whatever the amount is that we give, more private dollars and other sources are going in to help this beleaguered country.

Senator ALLEN. Well, thank you for your comments, both gentlemen, I have a better understanding of and appreciation for your respect for the legislative branch in appropriations and also you did it in a very straight-faced way, recognizing budgetary horse trading as a part of the whole process. That's great to see. Senator Coleman, did you have any questions?

Senator COLEMAN. I'll pass, Mr. Chairman.

Senator ALLEN. OK. Let me ask one final question. It may also get into how you look at various aspects of funding in fiscal year 2003, the administration requested and received—and this has to do with the International Fund for Ireland—received $25 million. Now the funding request for 2004 has been reduced to $8.5 million. Now, does this reflect dissatisfaction with the International Fund for Ireland, or does it—does the improved economic situation in the Republic of Ireland and Northern Ireland over the last decade factor into this decision?

Ireland, I will note, is probably the most vibrant and strong and competitive economies of all of Europe, and while the others have higher taxes, lower taxes in Ireland means more investment and more jobs. And one of the most technologically advanced countries. So I don't know if it's a function of their economic strength or whether it's a question of the International Fund of Ireland. If either of you or both gentlemen could address that, I'd appreciate it.

Mr. RIES. I'll take a stab at it, sir. First of all, the administration's commitment to support the Good Friday Accords and the reconciliation that has taken place between both halves—Northern Ireland, part of the U.K., and the Republic of Ireland—is undiminished, and certainly very strong. I think that the request of $8 million was part of the hard choices that were made in putting together the overall request, and it's one more of those budget

line items that reflects what Kent is talking about in terms of the outcomes are often different from the requests.

Nevertheless, the administration does very much support the International Fund for Ireland. The International Fund for Ireland has done enormously good work, both in the north and the south, and in promoting economic development that promotes reconciliation between the two traditions of Ireland. I would say that the Republic of Ireland's economy has been one of the best reforming economies within the European Union over the last decade. However, they have come on some hard times. The collapse of the sort of dot-com bubble has hit them very hard. They have been disproportionately committed to information technology and computer industries and there actually is rising unemployment in the Republic, making the economic development activities of the International Fund all the more necessary and useful at this point.

Mr. HILL. Just simply to reiterate, lest there be no misunderstanding, the reduced request level has nothing to do with performance. As I understand it, as Mr. Ries pointed out, the International Fund for Ireland has done very good work, very important work, and it's just a question of the hard decisions that have to be made with respect to the dollars available.

Senator ALLEN. Thank you.

Senator Nelson, did you have any questions of these panelists?

Senator NELSON. Thank you, Mr. Chairman. Yes, I do. You're requesting $1 billion in aid for Turkey. Given the fact of the very unpleasant experience that we've had in the course of the last couple of weeks, why don't you justify that request?

Mr. RIES. Yes, Senator, I'd be glad to. We talked about this a little bit earlier. The request for $1 billion is a very, very substantial reduction from the amount of money that we were talking about to the Turks staging land forces in Turkey. It represents a recognition that we have had nonetheless very important, strategically important support from Turkey in the present conflict, which has just been reiterated to Secretary Powell today in Ankara.

The Turks went to their Parliament at the beginning of March to get Parliamentary approval for a series of memoranda of understanding that would have constituted full cooperation, and the Parliament narrowly defeated that proposition. Since then, the relatively new government led by Prime Minister Gul at the time went back to Parliament. We are talking about a society in which there is very widespread opposition to the war, and he nonetheless succeeded in getting permission for overflight of Turkish territory by U.S. military aircraft pursuing hostilities against Iraq, which was itself very difficult.

We also got approval by the Turks for resupply of U.S. forces in Northern Iraq and for emergency landings by U.S. aircraft. We have to keep in mind that the Turks for 12 years have supported Operation Northern Watch, which allowed us to keep air cover over the North.

Senator NELSON. Define the resupply.

Mr. RIES. I'm sorry?

Senator NELSON. Define the resupply, what you just said.

Mr. RIES. The Turkish Government—Turkish Prime Minister—told Secretary Powell today that that would involve land transport

of food, fuel, and water, as well as humanitarian goods being supplied to the Iraqi people from Turkish ports overland into the North.

Senator NELSON. Food, fuel, and water for U.S. troops in Iraq?

Mr. RIES. U.S. troops and for the Iraqi people as well. And overflight permission to bring in anything we want to as well as to transit Turkish airspace by armed combatants.

Senator NELSON. What about all of our military aircraft at Incirlik? They cannot launch from there and overfly for military operations?

Mr. RIES. My understanding of the present situation is that's right. They cannot launch attacks with U.S. aircraft at Incirlik going into Iraq on sorties, no.

Senator NELSON. At one point, the Turks were asking for $22 billion in aid as the price for having us come overland. Tell me what you think about that.

Mr. RIES. Well, I think that the Turks—the Turkish Government should speak for itself, but I do think that their request for assistance reflected their concern over the impact of a conflict on their economy. The Turkish public believes that the first gulf war in 1991 adversely impacted their economy. They estimate the lost gross national product in the area of $100 billion. It is certainly undeniably true that the prospect of conflict even now has had an impact immediately on the Turkish tourism and sort of travel business, which is a significant business for Turkey. And the transit of Turkey by Iraqi petroleum, for export, as the main export route under the Oil for Food program, that also has been slowing radically since hostilities began.

Senator NELSON. Well, there are certainly good things that are happening. You've just enumerated them. What I can't understand is why we've had this wonderful relationship with Turkey for close to a half a century. Why is there so much anti-American feeling there now?

Mr. RIES. That's a question that probably requires a long answer.

Senator NELSON. Well, have at it.

Mr. RIES. The Turkish people have become convinced that a war to enforce the U.N. Security Council resolutions to call for the disarmament of Iraq is a greater threat to their interest than to continue to live with the status quo. And their anxiety about that, I think, does not reflect a reevaluation of the overall position with respect to, as a member of the NATO alliance, as a friend to the United States, or as an aspirant to the European Union. It does not reflect a change, if you will, in the overall strategic position of where Turkey wants to be in the world.

Turkey still sees itself, average Turks on the street see themselves, as a country that is a strong and self-sufficient country in a dangerous part of the world that needs to take tough action. I think that another part of the Turkish concern about conflict is the prospect of independence for the Kurdish regions of Northern Iraq. They took in some 30,000 refugees after the gulf war. They believe with some considerable reason that a number of these refugees contributed to an ongoing insurgency in the east of the country by Turks of Kurdish extraction, and that they spent the better part of a decade and lost several thousand lives in fighting.

There is now a cease-fire within Turkey. The former head of the PKK, Mr. Ocalan, is in jail, and I think to the Turkish man in the streets, some of the talk of renewed conflict with Iraq raises renewed fears of problems on their southern border with people of Kurdish extraction.

Senator NELSON. So, Mr. Chairman, is it worth $1 billion to us? Our relationship with Turkey has been a very good one and it's been a very important one. Turkey clearly wants to enter the European Union, and I think we want them to. They've got to get their financial house in order. That's clearly in our interest. It's clearly in their interest. But there is going to be American blood spilled because we do not have a pincer movement coming from the north to the south, on Baghdad.

And that just sticks in my craw. And so the question is, is it worth it for us to try to repair the relationship? It probably is. But is it worth $1 billion? That's the question I raise.

Senator ALLEN. Well, that will be one of those issues that we'll be debating. We're discussing in this committee today the relationship with all the countries. I will say to you, Senator Nelson, before you came in, I started on Iraq—excuse me, I started with Turkey, and we're finishing with Turkey. I found it also very interesting that trying to get a report on Secretary Powell's meeting—the key thing that you picked up on was the same thing I picked up on—food, fuel, and water for our troops. That is significant.

I share your aggravation, recognizing what our original military plan was, to have based the mechanized units, the armored units, as well as the flights from Turkey. Thank goodness our special operations forces were able to get in there to assist and help organize the Kurds to keep that quiet. While efforts were made from the south, pilots flew longer flight missions, in their support of our troops, in preparing the battle ground. The mechanized units and all the redeployment of the ships has all been occasioned by Turkey's lack of assistance in allowing us to stage those troops and armaments in Turkey.

It is frustrating. I agree with everything you've said. We will ultimately be successful, but by not having Turkey, it's made it much more difficult. And I suspect that you may be able to attribute the loss of life to that added difficulty. I'm not sure how we'll be able to do that, but I suspect that it is a logical estimate and assertion.

Turkey, nevertheless, is a key ally for us. It is a Muslim democracy, and what was said earlier by these two gentlemen is true. It shows that one who is believing in one's faith, which is one's human right, but also being in a democracy—religious beliefs and democracy actually should go together, as opposed to being exclusionary to one another, which is unfortunately the case in much of the Muslim world.

And your gritting of your teeth is the same as I'm doing with this. There's going to be some very difficult decisions we need to make, but I believe as we decide how much money, whether it's $1 billion or whether it's less, is something, as we make this decision, we need to take the long view, and what's in the best interest of the security of the United States, and making sure that those who are not with us in this particular important venture for our secu-

rity and for the liberation of the people of Iraq, in the long run, we do not want to turn them into adversaries.

It is a difficult vote that we're all going to have to cast, and that's the purpose of this hearing is to look at the larger context. I share your concerns. We're all going to have to examine this even further. But our time is up in this subcommittee.

I thank you, Senator Nelson, for your questions. I particularly thank Secretary Ries and the Honorable Kent Hill for your testimony and your leadership for America. I will now conclude this part of the hearing and turn it over to Senator Coleman, who will chair the segment that has to do with the Western Hemisphere.

HEARING SEGMENT III.—WESTERN HEMISPHERE

Senator COLEMAN [presiding]. Thank you.

We'll get this portion of the hearing going and let me start by saying what a pleasure it is to welcome the acting Assistant Secretary for Western Hemisphere Affairs, Curt Struble, and the Assistant Administrator for the Bureau for Latin America and the Caribbean at USAID, the Honorable Adolfo Franco.

Gentlemen, on a personal note, thank you for taking the time to visit with me before this hearing to make yourselves available. It is much appreciated. And we do look forward to your testimony and our discussion today on the role of U.S. foreign assistance—that it can play in confronting the challenges in the Western Hemisphere. I would also like to say it's a pleasure and an honor for me to pick up the gavel at the Senate Foreign Relations Committee for the first time in my role as chairman of the Subcommittee on Western Hemisphere, Peace Corps and Narcotics Affairs ,and I look forward to working with Chairman Lugar and my colleagues on the subcommittee and the full committee as well as with each of the witnesses before us today.

In the midst of the current war in Iraq, the continuing presence of U.S. forces in Afghanistan, the provocations of North Korea, the disagreements within NATO alliance, and the threat to our homeland that the nexus of terrorists and weapons of mass destruction poses, it's all too easy to lose sight of the challenges and also the opportunities that face the Western Hemisphere.

Yet, because of the region's proximity and close cultural and economic ties, we cannot afford to let this region slip into the background. Let me first mention what I see as some of the bright lights, some of the achievements and the opportunities that we can build upon in fostering our policy goals of democracy, development and security in the region.

With regard to war on terrorism, I understand that 31 states in the region—nations in the region—have signed the Interamerican Convention Against Terrorism. U.S. security has been enhanced by signing and implementing bilateral board of partnership agreements with Mexico and Canada. Under President Bush's leadership last year, Congress passed trade promotion authority. With these fast track procedures in place, the prospects of passing the U.S.-Chile Free Trade Agreement and the U.S.-Central American Free Trade Agreement, or CAFTA, are much greater, and I look forward to those discussions.

In addition, trade and investment discussions have been underway with Argentina, Brazil, and Uruguay, separately, and furthermore, talks to form a free trade area of the Americas, FTA, continue, and I think that's a good thing. In promoting the so-called second generation of democratic reforms, 28 countries have ratified the Interamerican Convention Against Corruption, the first internationally binding convention to focus specifically on corruption.

Increased U.S. support for the Government of Colombia has expanded U.S. assistance to the Government of Colombia's campaign against narcotrafficking. And recent indications seem to be that the policy is beginning to be effective in reducing the number of acres under cultivation in Colombia.

In September 2001, the Organization of American States adopted the Interamerican Democratic Charter. This document gives the governments of the hemisphere a compass to guide their action when democracy is challenged. And over the past decade, many Latin American countries have made enormous strides in political development which certainly we support.

These are the bright spots, and I commend the President and the administration for these achievements. Despite the bright spots, a number of areas of concern still remain in the region. Let me list a few of them. First, Colombia, with its problems of drug cultivation, violence, and political instability, remains high on the list of concerns, and I do hope that we send a very strong statement to President Uribe that we're supportive of his efforts.

In addition, despite our strong relations with Mexico and Nicaragua, these countries continue to be major transit points for drugs into our country and our cities. Second, recent political developments in Venezuela, Bolivia, and Haiti and even in several Central American countries, threaten democratic development in these countries. Third, I was deeply concerned by the recent testimony of General Hill before the House Armed Services Committee that there appears to be or is Hezbollah or Hamas presence in the triborder region of the South American Continent.

Fourth, with regard to Cuba, I believe we may want to take a look at reevaluating our policies there, looking at those policies, and perhaps there are some alternatives we haven't previously considered that could serve to encourage a rapid transition to democracy, respect for human rights, and a better life for the people there. And I do want to note that I am deeply disturbed by the continued crackdown on human rights and democracy dissidence as well as a lack of press freedoms in Cuba and Senator Nelson has personally raised that concern with me, and I know that he is been on the forefront of that.

Senator NELSON. As a matter of fact, it's my understanding that the committee will consider the resolution that I've filed, condemning those recent arrests, including independent journalists in Cuba. And it's my understanding we're going to take it up pretty quick, and I'm very grateful it's done in a bipartisan spirit, and I'm sensitive to it since of course I come from the State of Florida. So thank you for mentioning that, Mr. Chairman.

Senator COLEMAN. I appreciate Senator Nelson raising the issue, requesting that we move on it very expeditiously. We will not have a hearing in this subcommittee, my understanding, it will go di-

rectly to full committee. Government oppression of oppositionists such as Oswaldo Paya, organizer of the Verel project, Bernardo Pedron, and others must stop, and Senator Nelson, I applaud you for raising the issue and being so outspoken, and we will have that discussion in committee.

Finally, two countries in the region, Mexico and Chile, are currently members of the United Nations Security Council. Neither of these countries was willing to back a U.N. Resolution calling for the use of force against Iraq and implementing the 17 U.N. resolutions requiring Iraq to disarm. I plan to explore these concerns further after we hear the testimony of the witnesses.

Senator Nelson, would you like to make some preliminary comments? If not, why don't we go directly to the witnesses.

Mr. Struble.

STATEMENT OF J. CURTIS STRUBLE, ACTING ASSISTANT SECRETARY OF STATE, BUREAU OF WESTERN HEMISPHERE AFFAIRS, DEPARTMENT OF STATE, WASHINGTON, DC

Mr. STRUBLE. Mr. Chairman, thank you very much. Senator Nelson, thank you also. I appreciate this opportunity to testify in support of the President's fiscal year 2004 foreign assistance request for the countries of the Western Hemisphere. I have prepared a written statement that details the administration's policy objectives for the Western Hemisphere, and explains how our budget request will contribute to their achievement, and I respectfully request the committee's approval that it be entered into the record.

Senator COLEMAN. Without objection.

Mr. STRUBLE. No region of the world is more important to the prosperity and security of the United States than the Western Hemisphere. Most of the petroleum we import comes from suppliers in our own neighborhood. Our largest export market is Canada, and we sell more of our products to Latin America and the Caribbean than we do to either the European Union or East Asia.

The exchange of goods is accompanied by a large-scale movement of people. The U.S.-Mexico border, for example, sees more than 1 million legal crossings every day. This interdependence carries opportunities, but also carries risks. Ours is a region where failure to address the consequences of devastating natural disasters, failed economic policies, or political instability translates quickly into a surge of illegal migration into the United States.

It's a region where our neighbors' success in treating communicable diseases has consequences for the health of our own citizens. And it's a region where weak governments can create space for transnational criminal organizations that threaten our well-being. We pursue three overriding objectives in the Hemisphere—deepening the institutions of democracy, encouraging economic development and expanded trade, and enhancing security against the depredations of transnational crime and terrorism.

USAID Assistant Administrator for Latin America and the Caribbean, Adolfo Franco, will describe for you how our child survival and health programs and our development assistance support these policy objectives. My presentation will address the role played by Economic Support Funds, known as ESF, and Foreign Military Financing, as well as the Andean Counter Drug Initiative.

Democracy has come a long way in the hemisphere in the last 20 years. While free elections are the norm throughout most of the Americas, they are not enough in themselves. The people of the hemisphere are expressing discontent with the quality of their democracy and the perceived inability of their governments to deliver higher standards of living, safe streets, and good schools. They want, and we promote, second generation democratic reforms that enhance the honesty and efficiency of government institutions and encourage investments in people.

The $86 million in ESF that the President has requested for the Western Hemisphere will support these efforts by, for example, providing technical assistance for the reform of judicial institutions, training legislative staffs so that the second branch of government can do a more efficient job in performing its role in the democracy, promoting citizen involvement in government institution-making, strengthening the ability of governments to fight official corruption, and helping municipal and regional governments improve the delivery of services.

The $7 million in ESF will support our democratic outreach programs in the only remaining dictatorship in the Western Hemisphere, Cuba. This money will buy books, radios, and other informational material for Cuban dissidents, and help opposition leaders and human rights workers.

USAID's Development Assistance account is our primary tool in supporting economic and human development. ESF does provide some technical assistance to help governments adopt sound macroeconomic policies. It also finances some microfinance projects that permit the poor to become more productive.

USAID LAC works very closely with my Bureau to ensure that it's economic development program supports our policy priorities. I particularly wish to commend USAID for its efforts to ensure that the benefits of freer trade which we seek through CAFTA and FTAA, as mentioned by the chairman, will provide upward mobility to the poor.

For this to be the case, governments must begin now to help the poor develop skills that they'll need in the workplace. The most pervasive threat to the security of Western Hemisphere countries is posed by transnational crime. The networks criminal organizations employ to move arms, narcotics, money and people into and out of the United States represent a pipeline that can be exploited by terrorists.

In Colombia, crime, especially narcotics, finances the activities of three foreign terrorist organizations that are waging an increasingly cruel battle against the civilian population. One year ago, in connection with the administration's fiscal year 2002 supplemental request, we asked for and received expanded authorities to assist the Government of Colombia to combat the intertwined threats of narcotics trafficking and terrorism. And we ask that the Congress extend these authorities for the coming years.

Three years ago, when the administration submitted the plan Colombia supplemental to the Congress, we set an important objective for ourselves, reversing the expansion of coca cultivation in Colombia in 2002. We met that goal last year when cultivation fell by 15 percent, reversing a decade-long trend. The Andean Counter-Drug

Initiative, launched 2 years ago, recognized the need for a coordinated regional approach to fighting narcotics. The ACI seeks not just to eradicate coca and opium poppy, but to provide alternative development opportunities to poor farmers and to strengthen government institutions in the region.

The administration's ACI request level of $778 million for fiscal year 2004 will allow us to continue this important work. And, Mr. Chairman, I want to take just a moment also to acknowledge that we have with us today Acting Assistant Secretary Paul Simon of the International Narcotics and Law Enforcement Bureau.

Our fiscal year 2004 budget request also seeks $143 million in Foreign Military Financing for the region. And $110 million of this money is proposed for Colombia. About one-third of that will help train Colombian Army mobile units. I note in that regard that Colombian Army units trained by the United States have an excellent record of respect for human rights. The remaining moneys will improve the airlift capabilities of the Colombian Air Force, and support the marine and counternarcotics interdiction capability of the Colombian Navy.

In regard to the latter, despite relatively modest assistance levels, the Colombian Navy interdicts more narcotics leaving that country than any other entity. We're seeking $15 million in FMF to help Ecuador improve communication and mobility for the country's military units arrayed along its border with Colombia. And the balance of funds in this account will assist military and coast guard units in Central America and the Caribbean to protect their territorial waters from drug traffickers, to help regional militaries share the burden of international peacekeeping, and to assist efforts to respond to natural disasters.

In closing, Mr. Chairman, I want to acknowledge and express my appreciation for the support of the Senate for the foreign assistance programs in the Western Hemisphere. And I welcome the opportunity to address your questions.

[The prepared statement of Mr. Struble follows:]

PREPARED STATEMENT OF J. CURTIS STRUBLE, ACTING ASSISTANT SECRETARY OF STATE, BUREAU OF WESTERN HEMISPHERE AFFAIRS, DEPARTMENT OF STATE

Mr. Chairman and Members of the Committee:

Thank you for the opportunity to discuss the Administration's foreign assistance priorities for the Western Hemisphere. No region of the world is more important to our prosperity and security than the Western Hemisphere. In no other region do events have the capacity to so directly and so immediately affect our national interests and the well-being of the American people.

We are at a critical juncture in the economic and political development of the Americas. The weaker and more vulnerable economies of Latin America have been badly hurt by the combination of a U.S. economic slowdown, a more risk-averse attitude among international investors, and the impact of September 11, 2001 on tourism and hemispheric trade. The ensuing financial crises have been contained for now, though there are no grounds for complacency. Even during the "good times," hemispheric growth was weak except for star performers like Chile, El Salvador, Mexico, and the Dominican Republic, which embraced reform and moved to open their economies. Too many of our hemisphere's citizens have begun to question whether the triumph of democracy—the crowning achievement of the hemisphere in the last twenty years—can better their lives.

At the same time, there are encouraging signs that the framework for success has been built throughout the region: economic development in Mexico resulting from the North American Free Trade Agreement (NAFTA), Chile's strong economic performance, and the predominance of democracy, which has brought freedom to every nation in the hemisphere save one. Recent elections in the hemisphere have been

celebrations of democracy, including peaceful transitions to new administrations. With the Inter-American Democratic Charter, we have recognized the hemispheric consensus for the freedoms we cherish and responsibilities we accept. Economic progress, though often tenuous, has been achieved through effort and sacrifice. Poverty has declined in countries embracing reform, such as Mexico, Chile, and El Salvador. We have created partnerships to advance common interests with Canada, Chile, Brazil, Argentina, and of course Mexico. In short, we have made great progress. U.S. assistance has been, and continues to be, a major factor in our success. That said, our work is far from over.

We pursue three objectives in the hemisphere: deepening democracy, including increasing governmental integrity; encouraging both national and individual development, including expanding economies to strengthen trade; and enhancing security, including securing our hemisphere against the depredations of terrorism, increased personal security, and heightened regional stability.

Our continued progress in achieving these aims in the hemisphere requires that we confront, in a systematic way, those problems that have seemed too large and entrenched to address directly. They include corruption, failures of governance, inadequate education systems, insufficient health care, and crime. We can no longer afford to dismiss these issues as endemic or to address transnational threats in a piecemeal fashion. The kind of progress we want—the kind that creates strong, resilient democracies and growing, modern economies—requires a broad commitment to address these issues.

DEMOCRACY

Democracy has come a long way in this hemisphere over the last twenty years. While free elections are now the norm throughout most of the Americas, free elections alone are not enough. The people of the hemisphere are expressing discontent with the quality of their democracy and the perceived inability of their governments to deliver higher standards of living, safe streets, and good schools. They want, and we promote, the second-generation democratic reforms of deepening democratic institutions and investing in people.

To deepen and develop democracy, the member states of the Organization of American States (OAS) adopted the Inter-American Democratic Charter on September 11, 2001. At the very moment our nation confronted terrible tragedy, the free nations of the Western Hemisphere reaffirmed our commitment to the principles of democracy targeted by the terrorists. The Charter acknowledges collective responsibility to promote, protect, and advance democracy in this hemisphere and has been the basis for more active regional engagement in crises in the region.

The President announced on May 20, 2002, an initiative to promote a transition to democracy in the only nation in the hemisphere that did not adopt the Charter—Cuba. In his landmark speech, President Bush made clear that a rapid, peaceful transition to democracy characterized by strong respect for human rights and open markets in Cuba remains one of the critical priorities of U.S. foreign policy. Through our democracy outreach program, we provide books, radios, and other informational material to Cuban dissidents, opposition leaders, and human rights workers. We seek to expand this program, and so request an increase in ESF for Cuba to $7 million in fiscal year (FY) 2004. Unfortunately, our efforts to encourage democratic reform and transition were answered by the regime's arrests of dozens of opposition leaders and representatives of independent civil society since March 19, in the most significant act of political repression in years.

Democracy also remains at risk in Haiti. The Caribbean Community (CARICOM) worked closely with us on Resolution 822 of the OAS, which provides clear guidelines to restore a climate of security to Haiti and to enable a return to full democracy through free and fair elections. The United States was an integral part of a joint high-level OAS-CARICOM delegation that visited Haiti March 19 and 20. The delegation delivered a strong message to the government about the crucial importance of meeting commitments under Resolution 822 and urged the opposition and civil society to participate in the electoral process once the government meets its commitments.

The situation in Venezuela continues to deteriorate, undermining Venezuela's democracy and economy while threatening regional stability. We must help Venezuela find a solution to the current impasse to avoid further harm. The only politically viable solution is a peaceful, constitutional, democratic electoral process agreed upon by both the government and the opposition. The dialogue led by the OAS Secretary General remains the best hope for Venezuelans to reach such a solution. The proposals tabled January 21 by former President Carter—either a constitutional

amendment to enable early elections or an August recall referendum—present viable options to break the impasse.

Achieving fully the democratic objectives that our hemisphere's leaders have established requires responsible government stewardship. Secretary Powell has said, "Promoting integrity in government and the marketplace improves the global governance climate, nurtures long-term growth, and extends the benefits of prosperity to all people." Corruption is the millstone the citizens of the hemisphere continue to drag as they strive toward modern economies and effective democracies. Corruption distorts markets and undermines faith in the institutions of government. It limits opportunity to only the elite and steals resources that should be used for health care, schools, and community police. Most of all, it creates disappointment and resentment that can destroy free and open systems.

To improve governance, we offer enhanced help in the fight against corruption across the hemisphere. For example, we support the efforts of President Bolaños of Nicaragua to beat back impunity in his nation. A U.S. government-funded and trained anticorruption unit in the police force carried out initial investigations against tainted high-level figures. We have adopted a "no safe haven" approach to corruption. We will deny U.S. visas to corrupt officials as appropriate under existing law, we will monitor aid to ensure it is used transparently, and we will assist countries in recovering stolen funds. We have also developed a comprehensive program to combat corruption in the hemisphere, not just through bilateral and multilateral programs, but also through collaborative actions with our partners.

Creating governments with integrity, where impunity is not tolerated and law applies to everyone, requires a major commitment of effort and resources, but virtually every U.S. national interest, from regional stability to trade, from democracy to combating transnational crime, requires government integrity and eradication of impunity. We work to build strong government institutions, broad-based and effective national political parties, independent labor unions, and a free and responsible press; enhance the rule of law and investigatory and prosecutorial capacity; and develop ethics education at the secondary and professional levels. We have supported the protection of workers' rights by insisting that the rule of law be observed and applied and that acts of violence against workers and their representatives be fully investigated and prosecuted. In FY 2002, we spent almost $75 million in Economic Support Funds (ESF) on democracy and good governance in the region. These resources helped to support emerging democracies in Latin America and the Caribbean through training and technical assistance to municipalities, judiciaries and legislatures, and programs that support prosecutors in their battles against corruption, money laundering, and other criminal activities. Urgent global priorities will reduce that amount in FY 2003, but we look to Congress for support for our FY 2004 budget so that we can continue to consolidate the region's gains. Specifically, we seek full funding for our ESF request of $86 million, a significant portion of which will be devoted to democracy and governance activities.

Our regional administration of justice program strengthens rule of law, with a special emphasis on police reform. The development of strong civilian police organizations is essential for citizen security in emerging democracies and also for international cooperation to combat the threat of transnational crime. For FY 2004, funding is needed to continue programs underway in El Salvador, Guatemala, Honduras, and Nicaragua that focus on the implementation of new criminal procedure codes and related anti-crime initiatives. Another ongoing activity funded from this account is the Justice Studies Center of the Americas, an initiative of the Summit of the Americas to provide a forum for comparative research and coordination of justice sector reform initiatives throughout the hemisphere. Political and legislative developments permitting, we may also initiate programs in Venezuela, the Dominican Republic, and the English-speaking Caribbean. We hope that you will fully fund our request for $7 million—which is part of our overall $86 million ESF request—to continue these efforts in FY 2004.

DEVELOPMENT AND EXPANDING ECONOMIES

Economic uncertainty destabilizes nations and regions, just as economic advancement is inhibited by political strife. We have exercised leadership both bilaterally and within the international financial institutions to assist nations suffering from financial crises. Just last month, the United States accelerated the delivery of $10 million in ESF funds for Bolivia to help the democratically-elected government there stave off civil disturbances related to economic conditions. Last year, the United States provided Uruguay with a $1.5 billion bridge loan that was repaid—with interest—in one week. Argentina has now stabilized its economy. With crucial help from the U.S., it reached a transitional accord with the IMF and has begun the long

climb back to economic recovery. The U.S. has also assisted Brazil, Colombia, and Bolivia in their efforts to obtain significantly greater resources from the international financial institutions (IFIs). U.S. Government contributions constitute about one-sixth of IFI funds. Thus, U.S. money channeled through IFIs leverages much larger assistance packages. For FY 2004, almost 30 percent of our ESF funds for the region ($24.445 million) are budgeted for economic growth and trade capacity building, in addition to the development assistance funds with USAID to be spent on related activities. Half of those expenditures for economic growth and trade capacity building ($12.37 million) are targeted at the Andean region. These funds reduce barriers to trade, support microfinance lending to the most needy, improve tax administration, and help the historically disadvantaged generate the incomes they need to lift themselves out of poverty.

Recognizing that a strong Mexican economy is in the interest of both Mexico and the U.S., Presidents Bush and Fox launched the U.S.-Mexico Partnership for Prosperity in September 2001 to promote development in the more remote areas of Mexico. This innovative public-private initiative tackles the root cause of migration by fostering an environment in which no Mexican feels compelled to leave his or her home to find work. In its first seventeen months, the Partnership has reduced the cost of sending money home for thousands of Mexicans in the U.S., trained Mexican entrepreneurs in the use of electronic commerce, and launched a hundred million dollar fund to finance environmental projects. The partnership has also provided over a million dollars for feasibility studies for Mexican infrastructure projects and initiated a $50 million, seven-year scholarship program to enhance the capacity of Mexican institutions of higher education. We are seeking $12 million in ESF for Mexico in FY 2004 for a variety of activities in support of democratic and economic development, scholarships and security to promote stability and foster economic growth.

The Third Border Initiative, unveiled by President Bush at the 2001 Quebec Summit of the Americas, is a comprehensive framework of cooperation with the Caribbean region on issues that affect vital mutual interests such as security. It also provides funding and training for disaster preparedness, environmental management, and for the fight against HIV/AIDS. Our $9 million request for FY 2004 for this initiative will allow us to help this region while we help ourselves by improving stability and security in the Caribbean through increased training of local authorities and increased information sharing.

President Bush believes in the transformative power of trade. The effect of the reduced tariffs from NAFTA and the Uruguay Round—equivalent to a $1,300 tax cut for an American family of four—demonstrates what trade can accomplish. That is why the conclusion of a Free Trade Area of the Americas (FTAA) Agreement in 2005, established as a target date by hemispheric leaders at the Quebec City Summit of the Americas in 2001, will be critical. Parallel to those negotiations, our discussions with the Central Americans on a free trade agreement, like the agreement signed with Chile, move us in the direction of a hemispheric market. Some nations of our hemisphere require our assistance to develop the capacity to take advantage of the agreements as fully as possible. My colleague, Adolfo Franco of USAID, will discuss in greater detail our efforts to build trade capacity throughout the hemisphere.

SECURITY

For democracy and development to thrive, a nation must be secure. Promoting hemispheric security remains a key U.S. objective, as it is a precondition to every objective we share—stopping terrorism; ending the trafficking in arms, illicit narcotics, and people; strengthening the rule of law and respect for human rights; halting environmental degradation; ending lawlessness and criminality; and expanding economies. Foreign terrorist organizations and their supporters operate in the hemisphere, most notably in and on the borders of Colombia, in Peru, and in the tri-border region of Argentina, Paraguay, and Brazil.

We are encouraged by the response of the Guatemalan government to our concerns about counternarcotics. The March 19 seizure of over a ton of cocaine was a vivid demonstration of Guatemala's commitment to improve counternarcotics operations. In the last several months, the old counternarcotics police force has been replaced, seizures have increased, and seized drugs have been destroyed. The government of Guatemala has also taken steps to improve and enhance cooperation on extraditions and maritime counternarcotics efforts. Illegal narcotics flows continue to pose a significant threat to Guatemala and the other Central American countries, and it is important that the United States and Guatemala continue to increase our cooperation.

The State Department's Bureau of International Narcotics and Law Enforcement Affairs (INL)—bilaterally as well as multilaterally through the OAS—is supporting a wide variety of programs to address drugs, crime, and violence throughout the hemisphere. There is close coordination between INL and my bureau to ensure that International Narcotics Control and Law Enforcement (INCLE) and ESF-funded programs and activities are complementary. We are improving cooperation with our allies, strengthening the efforts of the Financial Action Task Force (FATF) and the two FATF-styled regional bodies that cover the Caribbean and South America to combat money laundering, and enhance border controls. We can only create a secure environment by working together and the Western Hemisphere has been notably active in this effort.

Following the September 11, 2001 attacks, members of the hemisphere invoked the Rio Treaty, our collective security agreement for the region. The OAS, with strong U.S. leadership, also revitalized the Inter-American Committee Against Terrorism (CICTE) and endowed it with a comprehensive work plan. We are transforming CICTE into an effective body of counterterrorism experts that can take concrete action. In less than one year, the OAS drafted the Inter-American Convention Against Terrorism, a binding legal instrument that establishes mechanisms for coordinated action against terrorism, which has already been signed by thirty-three of the thirty-four member states. Recently, under the leadership of governments in the region, the U.S. has collaborated with Brazil, Paraguay, and Argentina to establish the "Three Plus One" counterterrorism cooperation mechanism to address activities relating to terrorism as well. U.S. officials, in the context of the Commerce Department's Transshipment Country Export Control Initiative (TECI) and State's Export Control and Border Security (EXBS) Program, also have begun discussions with Panamanian officials on strengthening their trade control and border security systems to prevent terrorists and other entities of concern from acquiring key goods and technologies associated with weapons of mass destruction.

In December 2001, the U.S. and Canada signed the Smart Border Action Plan, creating a more secure and more efficient border. To the south, we enhanced our shared border security with Mexico by signing and implementing a similar Border Partnership Plan in March 2002. Over the past year, we have made significant progress toward our mutual goal of keeping North America safe from terrorism while sustaining trade and transportation flows crucial to our economies and citizens.

We sought and obtained new legal authorities to better help Colombia in its battle against terrorism. With your support, since July 2000, the U.S. has provided Colombia with almost $2 billion to combat the intertwined problems of drug trafficking and terrorism. These resources have strengthened Colombia's democratic institutions, protected human rights, fostered socioeconomic development, and mitigated the impact of the violence on civilians. We requested $37 million in FMF and $34 million in ACI funds as part of the 2003 supplemental to meet these goals.

You also passed the Andean Trade Preference and Drug Eradication Act, creating new jobs and hope for Colombia's people. For FY 2004, we are requesting additional resources for Colombia and its neighbors, to build on these successes. Our request for funds for the Andean Counterdrug Initiative (ACI)—directed at Colombia, Bolivia, Brazil, Ecuador, Panama, Peru, and Venezuela—is $731 million for FY 2004.

Another threat to stability in the hemisphere is the lingering obstacle of cross-border conflicts, especially a series of unresolved border disputes that can flare into small-scale confrontations. These disputes poison relations between neighbors and impede efforts toward cooperation and integration. To enhance hemispheric integration and guarantee the success of the FTAA, our neighbors must resolve these disputes equitably. Development efforts, such as those we have undertaken on the Peru/Ecuador border, can help cement cross-border economic cooperation and development in the disputed area and beyond. Our FY 2004 request includes $4.5 million for the Peru-Ecuador peace process, part of our pledge to assist in bringing peace to the area.

We seek an increase in Foreign Military Financing (FMF) for the region. We share the concern of the U.S. Southern Command that a decade of reduced security assistance and local military budgets has left the region's militaries in need of modernization. These militaries, particularly in Central America and the Caribbean, are sorely pressed to protect national airspace and waters from transnational criminals who smuggle drugs, arms, and people. Hurricane Mitch in 1998 and the El Salvador earthquakes of 2001 showed that regional armed forces are a key element of Central America's ability to cope with large-scale national disasters. Our FMF request for $143 million in FY 2004 is well above the FY 2003 level and focuses on the Andes. The higher level of FMF is required to support the Colombian government's efforts to take back control and governance of those areas of Colombia currently dominated

by terrorists and narcotics traffickers. FMF support is also critical for Colombia's neighbors to preclude narcotics and terrorism from spilling over Colombia's borders. FMF programs will focus on strengthening security forces in border areas and complement the ACI-funded activities that I mentioned earlier.

On the related topic of legal authorities for our work in this region, you have provided us with expanded authorities in Colombia. We ask that you extend these authorities for the coming years, to permit us to assist the Government of Colombia in combating the dual threats of narcotics and terrorism. We also ask that these authorities be free of restrictions that can cause unhelpful delays. In fact, we hope these authorities can be extended indefinitely, removing the need to seek their renewal each year, which injects uncertainties into the planning process.

We would like to explore with the Committee's staff the prospect of reviewing and rationalizing current Colombian reporting requirements. Consolidation of these requirements would, in addition to increasing efficiency, provide you with a clearer picture of our efforts. We have identified several other areas where legislative changes may facilitate implementation of our policies. We are still reviewing these areas within the Administration and would like to engage with you and your staff on these at a later date. For example, there are now so many separate exceptions to the prohibitions on police assistance that it is hard to know what is allowed in any particular situation. This makes coherent planning difficult. There are also gaps between existing authorities that create unintended consequences. We look forward to discussing these issues with you.

At State, we have identified several other areas in which we would like to engage with you and your staff on legislative changes that would facilitate implementation of our policies. For example, there are now so many separate exceptions to the prohibitions on police assistance that it is hard to know what is allowed in any particular situation. This makes coherent planning difficult. There are also gaps between existing authorities that create unintended consequences. We look forward to discussing these issues with you.

CONCLUSION

Although we are paying close attention to events elsewhere in the world these days, this does not mean we are neglecting our own hemisphere. We are deeply engaged—from negotiations for a historic hemisphere-wide free trade area, to significant contributions toward increasing regional security, to sustained work to improve the governance of our region. Public diplomacy plays a critical role in all our efforts. From broadening public outreach in Cuba to explaining our objectives in Colombia, from media campaigns in Haiti to deter immigration to support throughout the hemisphere for free elections, public diplomacy is ever-present. We work toward a public diplomacy strategy of broad, continuous engagement with all levels and age groups of American societies. While we have increased efforts to engage those who shape public opinion and make decisions through the American Fellows Program and programs like the Humphrey, Fuibright, and International Visitor programs, we also need to reach out to the average voter and the successor generation in ways that will deepen the understanding Latin Americans have of the United States on a personal level. This means more vigorous information outreach programs, creating opportunities for person-to-person interaction, and actively listening to what our neighbors are saying. These efforts must continue in parallel with the efforts I have described above.

Admittedly, all is not rosy in the Western Hemisphere. Although we have come a long way, there has been backsliding, and growing democracies face threats from all sides. We are optimistic, however, because our problems are not intractable. We can overcome existing challenges together and bring a free, secure, and bright future to all the peoples of the hemisphere.

President Bush believes that freedom is the key to unlocking potential. Freedom allows the creativity that is the essence of human nature to express itself and be realized. Freedom is the path of political, social, and economic progress. As President Bush said, this hemisphere of eight hundred million people strives for the dream of a better life, "A dream of free markets and free people, in a hemisphere free from war and tyranny. That dream has sometimes been frustrated—but it must never be abandoned." He knows there are millions of men and women in the Americas who share his vision of a free, prosperous and democratic hemisphere. Working together as partners, I am confident that we will achieve this goal.

Senator COLEMAN. Thank you, Secretary Struble.

Mr. Franco.

STATEMENT OF HON. ADOLFO A. FRANCO, ASSISTANT ADMINISTRATOR, BUREAU FOR LATIN AMERICA AND THE CARIBBEAN, UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT [USAID], WASHINGTON, DC

Mr. FRANCO. Thank you, Mr. Chairman. Mr. Chairman, Senator Nelson, it's a pleasure to appear before you today to discuss how USAID Bureau for Latin America and the Caribbean is promoting the President's vision for the Western Hemisphere.

Assistant Secretary Struble has done an admirable job outlining the administration's policital priorities for the region. Assistant Secretary Struble and I work closely together and I fully share his views. I would like to focus my remarks on what the administration and USAID believe are the region's development challenges and priorities.

Mr. Chairman, with your permission, I would like to make an oral statement which summarizes the testimony I have submitted for the record.

Senator COLEMAN. Without objection.

Mr. FRANCO. Thank you. In his letter of invitation to this hearing, Chairman Lugar refers to the most pressing challenges facing Latin America today. They are corruption, the narcotics trade, the need for trade capacity building, and threats to democracy and good governance.

I cannot agree more with the chairman's concerns, and my testimony will focus on how USAID's efforts in these areas as well as the countries of particular concern to the U.S. Government, which are Venezuela, Colombia, Bolivia, Guatemala, and Haita, are being addressed. President Bush's national security strategy clearly states that the U.S. Government's objective is to make the world not just a safer place, but a better place, and recognizes the important role of development assistance.

The Latin American/Caribbean region is facing development challenges, as you've noted Chairman Coleman, that threaten the national security and economy of the United States—contracting, economic growth rates, extensive poverty, a thriving narcotics industry, and the risk of HIV/AIDS and drug-resistant tuberculosis. On our borders undermine the ability of the region as a whole. Popular disillusionment, as Assistant Secretary Struble has noted, with governments that cannot reduce poverty, corruption, or crime, is growing in the region. For that reason, USAID support programs that combat corruption, improve governance, and strengthen civil society.

Anti-corruption efforts emphasize prevention and citizen oversight and support groups which challenge weak governance, entrench political institutions and poor public sector management. President Bush, Secretary Powell, and Administrator Natsios have all said that trade and investment are the twin engines that are essential to economic growth and poverty reduction in the region. Therefore, to help countries in the region participate effectively in the global trading system, USAID has been working in partnership with these countries and the United States trade representative to build trade negotiation capacity for our neighbors to the south.

Mr. Chairman, I would now like to focus on five countries of particular concern because I believe the problems of these countries

typify those of the region as a whole. These five countries are Venezuela, Colombia, Bolivia, Guatemala, and Haiti. In Venezuela, political conflict over President Chavez's policies has severely shaken the Venezuelan economy. President Chavez has demonstrated increasing disregard for democratic institutions and intolerance for dissent. This is exemplified by actions of the Chavez government to move against strike leaders and dissidents in February. Through its Office of Transition Initiatives, USAID supports nonpartisan activities aimed at bringing the two sides together, lowering tensions, and bridging divisions.

In Colombia, the scourge of narcotics threathens the fabric of that society. The lack of state presence in 40 percent of the country has allowed the illegal narcotics trade, guerrilla armies, and paramilitary forces to flourish. USAID is there for working in partnership with Colombia's strong reformist President Uribe to combat narcotrafficking and expand the reach of democracy and the rule of law throughout the country.

USAID alternative development program gives small-scale farmers the means to abandon illicit crop production by increasing their options to licit income generation. This program has now benefited approximately 20,000 families and supported the cultivation of nearly 16,000 hectares of illicit crops and former coca and poppy growing areas.

Mr. Chairman, when I assumed this position a little over a year ago, we were helping 4,000 families. We're now helping five times that number, and we were working on licit activities with 1,000 hectares, we're now working with 16,000 hectares.

USAID-supported infrastructure projects in the affected areas also helped to provide access to markets, and improved the health and education of communities. In addition, USAID provides significant assistance to Colombia's growing number of internally displaced people.

In Bolivia, poverty and social unrest are eroding Bolivia's democratic and economic stability. In response to unrest in Febrauary, USAID redirected $10 million to help stabilize the situation in Bolivia. Other donors have pledged new grant assistance totaling over $30 million, and the International Monetary Fund will soon render an opinion on the standby agreement for Bolivia. Despite the success, USAID's alternative development program in Bolivia is now under increasing pressure as economic woes strengthen the hand of an opposition party controlled by coca producers.

Guatemala's cooperation with U.S. anti-narcotics efforts is of continuing concern to us. I recently traveled to Guatemala, and expressed my concern about this matter and the slow pace of reform to the Guatemalan Vice President and the Chief Justice of the Supreme Court. USAID projects in Guatemala continue to assist in reforming the judicial sector, to strengthen its ability to combat corruption. Additionally, USAID-supported civil society coalitions are actively promoting transparency, preventing crime, and improving legislative oversight.

In Haiti, a decade of poor governance and economic mismanagement has brought the country to a near standstill, and illegal migration is on the rise. USAID concentrates on helping Haiti's civil society resist the Haitian Government's growing authoritarianism

as well as meeting essential humanitarian needs and generating employment in a very difficult environment. The P.L. 480 Title 2 food program is a key element of USAID's humanitarian efforts in Haiti. In response to the current drought in that country, USAID is providing an additional $3.5 million in Title 2 emergency food for direct distribution to Haiti's poor.

In conclusion, Mr. Chairman, as the President has said, this hemisphere of 800 million people strives for a dream of a better life. I quote what the President had to say: "A dream of free markets and free people in a hemisphere free from war and tyranny—that dream has sometimes been frustrated, but it must never be abandoned." President Bush knows there are millions of men and women in the Americas who share his vision of a free, prosperous, and democratic hemisphere.

In sum, at USAID, our programs strengthen democracy and governance, trade capacity building, healthcare systems, and education, and we are doing all we can to help our friends and the neighbors in the hemisphere to fulfill their aspirations.

Mr. Chairman, this concludes my testimony. I will be pleased to answer any questions you or the other distinguished members of this committee may have for me.

Thank you.

[The prepared testimony of Mr. Franco follows:]

PREPARED STATEMENT OF HON. ADOLFO A. FRANCO, ASSISTANT ADMINISTRATOR, BUREAU FOR LATIN AMERICA AND THE CARIBBEAN, U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT

Mr. Chairman, Members of the Committee, it is a pleasure to appear before the Senate Committee on Foreign Relations to discuss with you how USAID's Bureau for Latin America and the Caribbean (LAC) is promoting the President's vision for the Western Hemisphere.

The chairman refers in his letter of invitation to this hearing to the most pressing issues facing Latin America: democracy, good governance, anti-corruption, counter-narcotics, and efforts to increase support for trade capacity building. I could not agree more. My testimony will focus on these areas as well as countries of particular concern in the region—Venezuela, Colombia, Bolivia, Guatemala, and Haiti.

President Bush's National Security Strategy reflects the urgent needs of our country following the September 11 terrorist attacks and recognizes the important role of development assistance. It states clearly that the U.S. Government's aim is to help make the world not just a safer place, but a better place. The President has said the future of our Hemisphere depends "on the strength of three commitments: democracy, security and market-based development." At USAID, we work closely with our colleagues in other agencies and departments, from the Department of State to the Office of the U.S. Trade Representative, to promote political and economic freedom for all nations, and particularly among our closest neighbors with whom we have such strong social and cultural ties.

MANAGEMENT

At USAID, we know that the way in which we do things is as important as what we do. During his tenure as USAID Administrator, Andrew Natsios has taken the President's challenge to heart and tried to make foreign assistance more effective and results-oriented, and I work toward this daily in my role as Assistant Administrator for Latin America and the Caribbean. With many pressing priorities and security concerns around the world, the Agency's costs of doing business have increased. I have initiated a substantial review of management practices in each of the 16 missions in my region with an eye to increasing efficiency and reducing duplication of effort. As a result, there are efforts underway to regionalize financial management and other support services. In addition, we hope there will be an opportunity for USAID and this committee to have serious discussion on the need to increase flexibility in the way we use administrative resources.

USAID is proud of its contribution to the broader U.S. Government policy objectives in Latin America and the Caribbean. We have been working assiduously to remold our program to respond to the development challenges in the region and to promote the President's priorities for our Hemisphere.

CONTINUING CHALLENGES

Over the past several years, the Latin America and Caribbean region has faced increasing development challenges that threaten the national security and economy of the United States. Contracting economic growth rates, extensive poverty, unemployment, skewed income distribution, crime and lawlessness, a thriving narcotics industry and a deteriorating natural resource base continue to undermine the stability of the region. The risks of HIV/AIDS and drug-resistant tuberculosis on our borders also threaten the population of the United States. Civil unrest threatens countries in South America and the Caribbean, while political instability in Venezuela and Haiti continues. Increasingly, citizens' confidence in the ability of democratically elected governments to provide security and prosperity is waning. Bolivia's recent problems show the risks to democracy there as well.

The region's GDP shrank by approximately 0.8% in 2002, the worst economic performance since 1983. Inflation has edged up after eight years of steady decline. Mediocre economic performance has caused per capita income in LAC countries to decline significantly since 1998, while poverty has increased. These woes have brought discontent and political turbulence, raised questions about the health of democracy in the region, about investment priorities, social sector policies, and the benefits of a decade of liberal reforms. The effects in the poorest countries, such as Haiti, and even regions within countries with generally solid economic performance, such as northeast Brazil, have been even more disheartening.

Still, it is important not to portray the region in a single-minded negative light. LAC's economy overall is expected to recover slightly in 2003. The Argentine economy is expected to grow about 2% this year. Chile, Mexico, Peru, and the Dominican Republic are expected to top the growth league in 2003, with expansion of 3% or more, assuming that the slowdown in the United States abates and strong growth resumes. Countries that have adopted sound fiscal policies and oriented their economies toward foreign investment, and rules-based trade under the World Trade Organization (WTO), have tended to resist the recent downturn. The North American Free Trade Agreement (NAFTA) has resulted in phenomenal growth for all three partners. Since 1993, trade among NAFTA nations has climbed dramatically, and U.S. merchandise exports have nearly doubled.

Another area of progress is commitment of LAC countries to good governance as represented by the signing of the Inter-American Democratic Charter and the Inter-American Convention against Corruption of the Organization of American States (OAS). Nicaragua is striving to curb government corruption, and other countries, such as Mexico, have also made important commitments to reduce official corruption. Recent elections in Jamaica, Brazil, Colombia, Bolivia, and Ecuador were all judged to be free and fair.

PRIORITIES

To address the myriad challenges in the LAC region, the United States is committed to helping build a hemisphere that lives in liberty and trades in freedom. In his landmark March 14, 2002 speech to the community of donor nations in Monterrey, Mexico, the President pledged to create a Millennium Challenge Account (MCA) which would make additional development assistance available to countries that show progress in ruling justly, promoting economic freedom and investing in people. Through programs that help governments to strengthen democratic processes, promote equitable economic growth, and improve health and education standards, USAID is helping countries in the region with the will to reform to move along a trajectory toward MCA eligibility. In addition, USAID programs foster cooperation on issues such as drug trafficking and crime, disaster mitigation, and humanitarian assistance. The LAC Bureau is committed to using our resources in the most catalytic way possible including consideration of government performance, particularly responsible governance and accountability, in our resource allocation decisions.

DEMOCRACY AND GOOD GOVERNANCE

While support for democracy remains solid in the LAC region, popular disillusionment with governments that cannot reduce poverty, corruption, or crime is growing. Although significant strides have been made, many countries' democracies remain fragile and they must make a concerted effort to reinforce the institutional building blocks of democracy. USAID is working with other donors to strengthen democracy

in the LAC region through programs that include anti-corruption, rule of law, municipal governance, and civil society strengthening programs.

Anti-corruption programs emphasize prevention, citizen oversight, and building the capacity of countries to attack weak governance, entrenched political institutions, and poor public sector management. USAID provides assistance to citizens groups and nongovernmental organizations to devise national and local anti-corruption plans and to monitor the dealings of public officials and government agencies. In addition, USAID supports local initiatives to establish special commissions and investigative units to expose and prosecute cases of corruption and fraud by public officials. In Ecuador, the Anti-Corruption Commission has the investigative authority to uncover cases of corruption. In Nicaragua, USAID provides assistance to improve the capacity of the Attorney General's Office to tackle high-profile corruption cases against the former government. USAID is also helping the new Office of Public Ethics in the Nicaraguan Presidency, which will be responsible for setting standards for ethical conduct, training public employees, and monitoring government agencies' compliance with internal control systems.

Increasing crime and violence is consistently ranked by citizens as one of their primary concerns. The endemic problems of impunity for violent crime, corruption, money laundering and narcotics crime, undercut social and economic growth in many LAC countries. USAID is responding in more than a dozen countries in the Hemisphere by providing direct assistance for modernization of their justice sectors.

New Criminal Procedure Codes and other criminal justice system reforms, developed and enacted over the last decade with USAID support in Nicaragua, Honduras, Guatemala, El Salvador, Bolivia, Colombia, and the Dominican Republic, are introducing profound changes as countries move from written inquisitorial justice systems toward more oral adversarial systems. The new system of oral trials makes justice more accessible and transparent, whereas the previous system lent itself to corruption and delays and discouraged the average citizen from seeking judicial redress. In Colombia and Guatemala, USAID is expanding access to alternative dispute resolution and other legal services to millions of marginalized citizens through a growing network of community-based centers.

As a key element of the justice system, it is essential that the police do their jobs responsibly and that there is trust between the police and the communities in which they work. Section 660 restrictions of the FAA limit our ability to work on critical security issues such as community policing, which is increasingly integral to development in many LAC countries. Specific legislative authorization has allowed USAID to initiate a community policing program in Jamaica and to continue a successful program in El Salvador. The program in El Salvador is part of a larger law enforcement institutional development program conducted in cooperation and collaboration with the Department of State and the International Criminal Investigative Training Assistance Program (ICITAP) of the Department of Justice.

The primary justification for the program in Jamaica is summed up in the words of the 1993 National Task Force on Crime in Jamaica, which states, "The inability of the police to control crime has largely been due to the breakdown of the relationship between the police and the citizen." The program in Jamaica is focused on moving the Jamaican Constabulary Force toward a proactive, decentralized model of community policing, reducing police fear of the inner-city communities in which they work, as well as the community's fear of the police, and engaging community stakeholders as a catalyst for change in community development and crime reduction.

Similarly the community policing initiative in El Salvador has been a proactive, solution-based, and community driven activity involving extensive community outreach. Increased police presence in communities has improved response to criminal activity and has been key in establishing credibility with people. Reported crime and homicides have dropped by 25% and 30% overall in just one year in the program's target areas. Further, 70% of citizens believe the police force has improved its ability to decrease crime. Based on this early success, the U.S.-supported program is now being replicated by the Government of El Salvador at the national level.

USAID-supported training and technical assistance helps strengthen the capacity of national and local governments to demonstrate that responsible leaders can deliver benefits to communities. With the direct election of local mayors and the devolution of authority to municipalities, USAID is helping citizens and elected leaders devise community development plans that respond to local needs and generate growth. In fourteen countries, USAID is helping mayors hold public hearings about annual budgets and allow citizen involvement in public decision-making. Many mayors have established transparent accounting and financial management procedures with USAID assistance to create the framework for greater revenue generation at the local level for roads, schools, health centers, and job creation. In turn, citizens monitor the use of public funds and devise "social audits" in countries such as the

Dominican Republic and Bolivia to track spending in accordance with local development plans in order to keep officials accountable to the public.

ECONOMIC GROWTH

Sustained development depends on market-based economies, sound monetary and fiscal policies, and increased trade and investment. USAID's efforts in LAC are resulting in an improved enabling environment for positive and peaceful changes. We are mindful of the critical need to continue these efforts and build on our experiences in order to encourage further economic development. President Bush, Secretary Powell, and Administrator Natsios have all said trade and investment are essential to economic growth and poverty reduction. Without an increase in trade and investment, the region's substantial development gains will be put at risk, and hemispheric stability could falter.

Through support for legal, policy, and regulatory reforms, USAID has been working with LAC countries to strengthen the enabling environment for trade and investment as the twin engines for economic growth and poverty reduction. USAID support for trade capacity building has increased substantially in the last several years. In FY 2001, the LAC Bureau invested $5 million in trade-related activities. This figure climbed to more than $23.5 million in FY 2002. USAID plans to increase support for trade capacity building even more substantially in future years.

In August 2002, President Bush signed the Trade Act of 2002. On January 8, 2003, Acting Assistant Secretary Struble and I participated with U.S. Trade Representative Ambassador Robert Zoellick in launching negotiations for the U.S.-Central America Free Trade Agreement (CAFTA). Negotiations continue on track to establish a Free Trade Area of the Americas (FTAA) agreement by January 2005. In response to these opportunities, USAID has been working in partnership with the region's smaller economies to build their capacity to participate effectively in the global trading system by building trade negotiating capacity, developing markets, and providing assistance for business development. In response to requests from country governments, USAID will assist governments to comply with the "rules of trade" such as sanitary/phytosanitary measures, customs reform, and intellectual property rights.

Assistance will expand in the area of commercial and contract law and property rights. USAID will continue to promote rural economic diversification and competitiveness, including non-traditional agricultural exports and access to specialty coffee markets. Business development and marketing services will help small and medium farmers and rural enterprises improve competitiveness and tap new markets. Let me highlight some of USAID's trade capacity building programs in the region:

In Central America and Mexico, USAID will continue the Opportunity Alliance, a presidential initiative that emphasizes trade-led rural competitiveness through and agricultural niche markets. The Alliance was initiated in FY 2002 in response to a protracted drought, collapse of coffee prices and resulting unemployment of seasonal agricultural workers. An estimated 52% of the population, more than 14 million people, is poor and chronically food-insecure in Guatemala, Nicaragua, El Salvador, and Honduras. USAID activities in FY 2003 and FY 2004 will continue to support democratic governance, trade and employment creation, agricultural production, and sound environmental management. USAID is assisting the Central American countries in their efforts to prepare for the FTAA as well as for negotiation and implementation of CAFTA. As part of this process, USAID worked closely with other institutions such as the Inter-American Development Bank, the Organization of American States, and the Economic Commission for Latin American and the Caribbean to assist each Central American country to prepare a national trade capacity building strategy in support of their participation in the CAFTA process.

USAID has added a trade component to the President's Third Border Initiative (TBI) to strengthen trade capacity and competitiveness of Caribbean countries. It will build on modest trade activities underway for several years in a sub-region with many small island economies lacking diverse sources of income. When launched in 2002, TBI aimed to strengthen political, economic and security ties between the U.S. and the nations of the Caribbean. The majority of interventions and bulk of funding thus far have supported USAID's HIV/AIDS program. Working closely with the development assistance community, USAID is now moving quickly to mobilize trade capacity building support to respond to countries' priorities including technical training of government trade officials, developing trade-related databases, implementing trade agreement commitments in such areas as customs reforms and sanitary and phytosanitary measures, providing assistance for small business development, and fostering greater civil society outreach. USAID's Caribbean Regional Program is helping to strengthen Caribbean Community (CARICOM) countries' com-

petitiveness in hemispheric and global trade, and assisting eight CARICOM countries to prepare national trade capacity building strategies under the FTAA Hemispheric Cooperation Program.

In the Dominican Republic, USAID supported technical training on trade issues for government trade officials. The Dominican Republic has since offered better market access in recent rounds of negotiations. As a result of a USAID-supported program in Jamaica, which is led by the private sector and provides succinct information to private and public sector leaders on the benefits of free trade, the Jamaican private sector now better understands the potential benefits of free trade and has become a stronger advocate of the FTAA.

USAID initiated trade capacity building activities in South America in FY 2002 and is expanding the program for trade within the sub-region in FY 2003. In Peru we have developed an Andean regional trade capacity building program to assist Andean Community countries in addressing "rules of trade" and competitiveness issues, with initial emphasis on providing technical assistance in a variety of trade disciplines including customs reforms, sanitary and phytosanitary measures, and competition policy.

At the hemispheric level, USAID has a new "quick response mechanism" to provide greater capacity to address technical assistance and training needs arising from trade negotiations. Through this mechanism, we are also working with FTAA countries, initially in Central America and Brazil, to provide government officials and civil society—including business leaders—with information on the benefits of free trade.

An important aspect of building trade capacity is broadening the education base for a more productive workforce. USAID will support advancements in secondary education and workforce training to improve the quality of instruction, increase worker productivity, and help youths prepare to enter the workforce. For example, USAID's ESF-funded Trainirg, Internships, Exchanges, and Scholarships program in Mexico will enhance capacity of Mexican scholars and institutions to respond to the objectives and strategies of NAFTA and the U.S.-Mexico Partnership for Prosperity, which together define the emerging U.S.-Mexico Common Development Agenda.

Recognizing that remittances constitute a potentially large source of development finance, USAID will continue to support and implement mechanisms for remittance transfer with lower transaction costs.

INVESTING IN PEOPLE

The LAC Bureau has placed great emphasis on two of the President's other stated goals for our region—health and education. In health, there has been significant progress in raising vaccination coverage and in reducing or eliminating major childhood illnesses such as measles. Also, because of USAID assistance, affected countries are more willing to discuss the HIV/AIDS problem. This is particularly relevant in our region, as the Caribbean has the second highest rate of HIV/AIDS in the world, after sub-Saharan Africa. USAID programs have had some success in reducing the social stigma attached to the disease, and prevention campaigns, including those that promote abstinence, hold even greater promise for lowering transmission rates. While steady progress is being made in lowering maternal mortality and in applying proven cost-effective protocols for combating malaria, tuberculosis and other infectious diseases, rates remain unacceptably high, and new strains of the causative organisms are increasingly resistant to treatment. Because diseases do not respect geographic boundaries, and due to the high numbers of legal as well as illegal immigrants traveling to the United States, I believe USAID assistance to the LAC countries in health care at the policy, institutional and technical levels is critical to the health and security of the United States.

The quality and relevance of primary and secondary schooling in LAC countries continue to cause concern. Less than 30% of students in the region complete secondary school, and many of those who do finish lack adequate skills to compete in the workplace. USAID education and training programs aim to improve the poor state of public education systems where the majority of youth attend weak and under-funded schools and fail to acquire basic skills in mathematics, language, and science. USAID will continue to provide support for education reform, enhancing skills of teachers and administrators, and improving training for application in the workforce. USAID will also continue support to the newly launched Centers of Excellence for Teacher Training, an initiative announced by President Bush in April 2001. Three sub-regional training networks established in Peru, Honduras, and Jamaica will improve the cadre of teachers in LAC countries by training 15,000 teachers, benefiting 600,000 students, and advancing education policy reform.

FIVE PRIORITY, FRAGILE COUNTRIES

Many of the democracies in the Hemisphere are fragile, and USAID works in a variety of ways in concert with other U.S. government agencies to strengthen them. I would like to discuss Venezuela, Colombia, Bolivia, Guatemala, and Haiti because the problems in these countries are of particular concern.

Venezuela—We are deeply concerned about the deteriorating situation in Venezuela. We are concerned about the independent media, and the severe disruptions to the Venezuelan economy, for decades one of the most prosperous nations in the hemisphere. I also know this situation has caused great pain and hardship to the people of Venezuela.

The United States had urged all sides to reject violence and intimidation. We have also urged the Government of Venezuela to exercise its constitutional responsibility to respect individual rights and fundamental freedoms, and to adhere to the Inter-American Democratic Charter.

Our policy is clear and consistent: We support OAS Secretary General Cesar Gaviria's efforts in Caracas to facilitate a dialogue between government officials and opposition representatives to help achieve a peaceful, democratic, constitutional and electoral solution to Venezuela's crisis, consist with OAS Permanent Council Resolution 833. We are also actively working with the "Friends" group, which includes the United States, Brazil, Chile, Mexico Spain and Portugal, to help achieve these objectives.

USAID supports non-partisan activities aimed at bringing the two sides together, lowering tensions, and bridging divisions among the population. USAID has expanded opportunities for government and opposition forces to meet at the bargaining table and helped them identify common interests. USAID is also providing training in conflict mediation and negotiation techniques to government and opposition representatives involved in the national dialogue.

Colombia—In Colombia, the scourge of narcotics threatens the fabric of society, and poses a threat to the U.S. as well. The lack of state presence in large portions of the country has allowed both the illegal narcotics trade and armed, drug-dealing terrorist organizations to flourish. Events in Colombia affect the ertire region, and the threats to its security also threaten the security of its neighbors. Ecuador's northern border is vulnerable, and intensive eradication efforts by the Government of Colombia may create incentives for the narco-trafficking industry to move back into Peru and Bolivia.

USAID is working in partnership with Colombia's strong reformist president, Alvaro Uribe Vélez, an invaluable ally in facing down terrorism and the illicit drug trade. President Uribe is actively pursuing policies to fight narco-terrorism and expand the reach of democracy and rule of law in Colombia.

In order to provide small farmers a means to abandon illicit crop production permanently, USAID's alternative development program in Colombia seeks to increase licit income opportunities for small producers of opium poppy and coca. The program is on track and progressing well. This program has now benefited approximately 20,000 families and supported cultivation of nearly 16,000 hectares of licit crops such as rubber, cassava, specialty coffee, and cacao in former coca and poppy growing areas. Some of the coca growing areas currently are not suitable for sustainable agriculture for both economic and security reasons. USAID works to create permanent labor opportunities to absorb the pool of people following the coca harvest, thus undermining coca production. USAID also works with the Colombian private sector outside of the coca growing areas to increase licit income opportunities, making coca production unattractive. Infrastructure initiatives are an important component of the program as they provide short-term employment in construction as families make the transition to licit crops, and provide communities with physical access to markets necessary to sustain a viable, licit economy or develop the skills and acquire the funds to move to a more viable economic section of the country. As of mid-February, USAID has completed 208 social infrastructure projects including roads, bridges, schools, and water treatment facilities were completed in Colombia.

USAID is successfully implementing a program to strengthen the Colombian criminal justice system, expand access to community-based legal services, promote alternative dispute resolution mechanisms, and strengthen the capacity of justice sector institutions to carry out their functions in a more timely, open, and fair manner. USAID has established 29 community-based centers for alternative dispute resolution and other legal services to increase access to justice for the urban and rural poor. Over the last seven years, the centers have handled 1.5 million cases, the majority of which are related to intra-family violence. Women represent the highest percentage of beneficiaries under the program. As a first step in facilitating Colombia's transition to a modern accusatorial system of justice, USAID has helped estab-

lish 19 oral trial courtrooms and trained 6,000 lawyers, judges, and public defenders in oral procedures designed to reduce impunity and quicken the judicial process.

USAID is working to improve respect for human rights in Colombia through a three-tiered approach including: prevention of human rights violations by strengthening governmental and civil society human rights institutions; protection of human rights workers, community leaders, journalists, and local elected officials under threat; and the improvement of Government of Colombia response to human rights violations.

USAID's transparency and accountability program seeks to harmonize accounting and internal control standards within the Government of Colombia and increase citizen awareness of available instruments to combat corruption. Last year, this program successfully completed a nationwide public awareness anti-corruption campaign that reached six million citizens through radio, newspaper and television messages, and standardized internal control units in five government entities.

Colombia has the fourth largest population of internally displaced people (IDPs) in the world and the only IDP population in the western hemisphere. USAID's IDP program seeks to provide integrated services and assistance to Colombia's internal refugees after short-term emergency relief has expired. As of mid-February, the program has assisted 635,000 IDPs by providing health services, shelter, income generation opportunities, education, and community infrastructure. As most IDPs are women and children, aid has been targeted specifically towards female heads of household. USAID continues to develop significant partnerships with the private sector that either support IDP activities or offer to employ IDPs in their new communities. In addition, USAID assists demobilized child combatants by supporting psychological counseling, vocational training, and educational opportunities, with the goal of re-integrating them into society. More than 600 former child combatants and at-risk children have been aided through this program.

Bolivia—In Bolivia, the twin poisons of illicit drugs and poverty are weakening democracy and undermining prosperity. Bolivia remains a strategic ally of the U.S. in Andean counter-drug efforts and played a leading role in South America in democratic reform and trade liberalization. Its current economic difficulties are largely a result of external factors.

In February, President Sanchez de Lozada's introduction of budgetary austerity measures touched off weeks of protests, rioting and looting. Bilateral and multilateral donors were asked to contribute additional funds so that Sanchez de Lozada's government might reconfigure his budget and allow for more spending in the social sector. President Sanchez de Lozada requested immediate support from the U.S. and other donors. The IMF indicated it would consider a more flexible term for a standby arrangement, provided that additional donor funding became available immediately to meet the financing gap. In consultation with the inter-agency process and the Congress, USAID redirected $10 million in Economic Support Funds (ESF) to support the govenunent in a time of crisis. This assistance will be used by the Government of Bolivia for payment of multilateral development debt and will leverage additional bilateral and multilateral contributions. New grant assistance has been pledged by other bilateral donors. The IMF board will meet to make a decision regarding a standby arrangement on April 2.

Due to the success of counternarcotics efforts, coca production declined 70% between 1998 and 2001 at a cost of $200 million to the Bolivian economy. The loss of this illicit income was felt most by the small-scale farmer. There is also concern that the country's economic problems, coupled with the intensive aerial eradication program in Colombia, will translate into pressure from the narcotics industry for new production in Bolivia. These concerns and the violence in early February have heightened the importance of and the need for USAID's alternative development program in Bolivia.

Working in partnership with the Government of Bolivia, USAID's alternative development program is bringing the benefits of Bolivia's anti-narcotics strategy to communities. USAID is working to eliminate illegal and excess coca from Bolivia by: establishing sustainable, farm-level production capacity and market linkages for licit crops; increasing licit net household income; and improving municipal planning capacity, social infrastructure and public health in targeted communities. In the coca-producing Chapare and Yungas regions, assistance for high-priority projects such as road improvement and bridges, which are defined by the communities and contingent on coca reduction, are providing links to markets for licit crops. In the Yungas region, USAID is introducing improved agricultural technologies for selected products to improve competitiveness and encouraging adoption of low-cost forestry and agro-forestry practices to improve soil fertility and increase crop yields.

USAID's support for criminal justice system reforms through implementation of the new Code of Criminal Procedures complements the alternative development pro-

gram. The new Code makes justice more accessible and transparent through use of an oral system and citizen judges. The previous written, inquisitorial system lent itself to corruption and delays and discouraged the average citizen from seeking judicial redress. Improved court processes have reduced case processing time by two-thirds.

Guatemala—As the members of this Committee are well aware, Guatemala is of continuing concern because of lack of cooperation with U.S. anti-narcotics efforts. I recently traveled to Guatemala and expressed my concern to the Guatemalan Vice President and Chief Justice of the Supreme Court. In addition, corruption, organized crime, weak enforcement of the rule of law, and lack of political will under the current administration have made it difficult to promote democracy effectively. Use of death threats and kidnapping to manipulate government officials, increasing human rights violations, continued growth in crime, and concerns about citizen security all suggest that progress toward democracy has stalled in Guatemala. Nonetheless, pressure from the international community and civil society has positively influenced the government to take some significant actions that lay the groundwork for greater inclusiveness and responsiveness in Guatemala's democratic system.

USAID has been helping the judicial sector make institutional reforms to strengthen its ability to combat corruption. USAID also helped establish an autonomous, professional public defender service throughout the country. Today, 27 USAID-assisted "justice centers" help local communities, churches and governments connect with police, prosecutors, judges and public defenders to fight crime, ensure respect for human rights, and mediate disputes. Case file and information management system reforms are significantly improving efficiency while reducing the potential for corruption. The time to locate case files has dropped from hours to less than 15 minutes and cases are randomly assigned to judges. Due process has improved because information on time required for various stages of court procedure is now available. The Supreme Court is using statistics on workload, productivity, case intake, and bottlenecks to improve efficiency and identify problems. A major reform of Guatemala's principal law school has been completed and the new curriculum instituted for the first year. The complete revamping of the curriculum and admissions standards, an indigenous law program, and an expanding internship program will all improve the quality of personnel entering the justice system.

After several months of intensive training and planning sponsored by USAID, eight civil society coalitions are now actively combating ethnic discrimination, promoting transparency and anticorruptiori, improving congressional oversight, and enhancing public security. Over the last few months, the Alliance for Transparency (a coalition of the Chamber of Commerce and two regional organizations) developed a model profile, selection criteria, and procedures to elect the new Comptroller General and focused public attention on this process for the first time. A coalition engaged in preventing crime is bringing together gang members, the media, citizens, and police in working to reduce crime in six target areas. A civil society group drafted new legislation to address domestic violence and promoted understanding and application of current laws. For the first time, local human rights organizations played an important role in the selection by the Congress of a new Human Rights Ombudsman.

Hait—I would now like to shift to the continuing challenge presented by Haiti, where a decade of poor governance and economic mismanagement has brought the country to a near standstill, threatening another wave of illegal migration to the Dominican Republic, the Bahamas, and the United States. A pernicious drought in the country's Northwest and Central Plateau regions has made things even worse and placed additional strains on our humanitarian relief efforts in the country. We are responding with an additional $3.5 million in Title II emergency food for direct distribution to affected groups.

The growing authoritarianism of President Aristide and his Fanmi Lavalas party frustrated USAID's efforts to bolster the Haitian judiciary and national police in the late 1990s. Consequently, we shifted our emphasis to helping civil society resist the growing authoritarianism of the Haitian government. Recently we have added activities to strengthen political parties and the independent media. The country's direction now depends on whether the government can establish a climate for free and fair elections in 2003 and secure the participation of Haiti's opposition parties, many of which boycotted the election of President Aristide in November 2000. We also keep in close contact with the Haitian human rights community and incorporate these groups whenever possible into our activities. Last but not least, we are actively engaged with the Haitian Diaspora, seeking ways to help them foster democracy in Haiti.

In addition to our work with civil society, USAID's programs in Haiti are designed to meet essential humanitarian needs and generate employment in a difficult eco-

nomic environment. The FY 2003 funding level for Haiti is $58.5 million (including $24.9 million in non-emergency food aid). The P.L. 480 Title II food program is a key element of USAID's support for humanitarian needs in Haiti. Some food is distributed outright through school feeding programs but principally through maternal-child health care facilities in remote areas. This approach ensures that U.S. food aid is reaching the neediest and most vulnerable Haitians—rural children under five and nursing and/or pregnant mothers. The bulk of the Title II food commodities are sold to local millers and the proceeds used to finance projects in health care (including assistance to orphans), primary education, and food production.

ALLIANCES

Private investments, civil society and faith-based contributions now far exceed Official Development Assistance levels. Linking our USG investments with private investments will assure a greater impact for both, as was articulated by the President at the Monterrey Conference last year. The Global Development Alliance (GDA) and the Development Credit Authority (DCA) are exciting business models where we have made the USG dollar and impact extend much farther by partnering with businesses, universities, and philanthropic groups.

Several examples of GDA-type partnerships are just getting underway in the region. USAID's Central America Regional program plans to leverage significant private sector contributions for its quality coffee and regional diversification programs. Two recently-signed agreements exemplify the emphasis on alliance building and counterpart contributions: one with the Coffee Quality Institute to develop a volunteer-based technical assistance program, and one with Green Mountain Coffee Roasters designed to generate new resources. Of the 18 partnerships between U.S. and Mexican colleges and universities recently approved for USAID's new educational exchange program in Mexico, 15 exhibit greater than one to one funding matches from higher education institutions and the private sector. The 18 agreements total about $10 million, with USAID providing approximately $4 million and non-USG public and private partners contributing $6 million.

USAID's Development Credit Authority (DCA) offers an opportunity to mobilize local capital to fund development initiatives. Through DCA, USAID/Mexico provided guarantees to two Mexican microfinance institutions. The programs were designed to allow both institutions to leverage the guarantee by capturing savings, especially longer, fixed-term savings, which are an important source of loan capital. Both programs have greatly exceeded expectations, with the banks increasing total deposits by $4.8 million and $5.7 million respectively. In Guatemala, investment efforts in market towns also exceeded expectations. The Non-Traditional Exporters Guild was directly responsible for promoting $4.25 million worth of new investments in the Peace Zone and the BANCAFE Development Credit Authority mechanism leveraged an additional $4.7 million for microlending.

CONCLUSION

Hemispheric commitment to democracy remains high with the creation of the Inter-American Democratic Charter and agreement to an ambitious democratic reform agenda—each time the Hemisphere's leaders meet. So far, democratic systems have persisted even in the face of severe economic crisis and, in some cases, either very weak or even virtually no effective governance. These political crises—all very different—have not caused permanent ruptures in democratic practices. They nonetheless demonstrate the fragility of institutions and the need to strengthen the building blocks of democracy if the progress of the past two decades is not to be undone. As President Bush has said, this hemisphere of eight hundred million people strives for the dream of a better life, "A dream of free markets and free people, in a hemisphere free from war and tyranny. That dream has sometimes been frustrated—but it must never be abandoned." President Bush knows there are millions of men and women in the Americas who share his vision of a free, prosperous, and democratic hemisphere. At USAID, our programs in democracy and governance, trade capacity building, health, and education are helping our friends and neighbors in the Hemisphere fulfill their aspirations.

Senator COLEMAN. Thank you, Mr. Franco.

I certainly share that vision of a free, prosperous, and democratic hemisphere and believe that trade and investment ultimately are the key elements in the way to get there. But before you can get to trade and investment, or if you're going to do trade and investment, it has to be built on a firm foundation, and I have a lot of

concerns. And I think, Mr. Franco, you laid them out specifically, focusing on specific countries, highlighting some of those concerns. You have to have national security. You have to have a firm foundation, in terms of some sense that democracy is going to work. You have got to deal with corruption. And then beyond that, there is the issue which we did not talk about, but we need to spend some time, some more time, on the issue of AIDS and the impact it is having in Haiti and other areas.

I was going to begin my questions, but the distinguished ranking member is here. And, Senator Dodd, before I begin my questions, would you like to make a statement?

Senator DODD. I will make a brief statement here, but I apologize to my colleague. We have been involved in some markups in the Health Committee. So I apologize to our witnesses for not being here. So let me just share a few thoughts, Mr. Chairman, and thank you first of all for convening this hearing. We convene, as we all know, to discuss the Bush administration's, request for foreign aid. This is the second of two hearings the committee is holding, and I am pleased to have the opportunity to share some thoughts on it.

In the coming year, our task, the task of the entire government of our country, will be to ensure that vital foreign assistance initiatives are properly funded and managed. And as a world leader, the United States has the responsibility to help promote peace and stability. That is why I am concerned about the limited amount of Federal dollars currently allocated to foreign aid projects. However, our endeavors in this area are vital not only to the success of the specific program or a set of programs; they are a central component of our ability to promote the vital interests of the United States globally. Therefore, I am hopeful that this shortfall is addressed in the Senate deliberations, funding levels for foreign aid initiatives for fiscal year 2004.

Certainly, there are many regions of the world that need and deserve American assistance. Once our troops emerge victorious from the current military conflict in Iraq, as I am confident they will, we will be faced with the considerable responsibility of rebuilding that nation.

Having said that, as we are under certain time constraints today, I would like to focus my attention on a request for programs in the Western Hemisphere. And my colleague from Florida, who is with us here, has a strong interest in this region of the world, as well, and we talk about at great length.

As you know, Latin America has many significant problems. Throughout the past year, this important region, our closest neighbors, have been plagued by economic instability, political instability, and civic unrest. The illegal narcotics trade and the devastating impact that it has had on Latin America persist. Poverty rates remain extremely high, and access to education and health remain alarmingly limited. From the bottom of the South American Continent to the Caribbean, Argentina, Brazil, Colombia, Venezuela, Haiti, and others, have been struggling to create and ensure a safe and secure future for their people.

While USAID, for the most part, does a good job with the resources allocated to them, the Western Hemisphere, as a region, is

not provided with sufficient resources, in my view, and attention to address the myriad challenges that it is facing.

I am also concerned that the administration seems to be unwilling to engage certain governments as part of their efforts in the region; most specifically, Haiti. Haiti is one of the most poverty-stricken nations in the Western Hemisphere; in fact, one of the most poverty-stricken in the world. It has an unemployment rate as high as 50 percent and is being devastated by the HIV/AIDS epidemic, with almost 5 percent of the population infected. How is the government of that nation going to be able to strengthen its governing capability and provide for its people if the administration refuses to work with them? In my view, supporting the people and economies of developing countries, especially those in our region, is not only sound policy, but also in keeping with our leadership in the world community. Helping impoverished nations foster democracy, feed their people, and protect their environment will reap great benefits for the United States. It is in our enlightened self-interest both with regard to our economic success and our national security needs. Therefore, I, again, urge my colleagues and the administration to consider the broad spectrum of responsibilities we have to the global community and, more specifically, to our neighbors in this hemisphere as we debate about the funding levels for foreign aid in the foreign aid initiatives as it unfolds.

Again, Mr. Chairman, I thank you for doing this today, and I am hopeful that our discussions will be worthwhile, and again, with a particular emphasis in Latin America.

I do not mean to exclude other points, but I want to particularly point to that area of concern I have.

Senator COLEMAN. Thank you, Senator Dodd. And I share that concern and share the belief that we have to be engaged in doing those things that strengthen the foundation for democracy and stability. And I think we have great self interest in making sure that that is accomplished.

If I may, let me just turn to Colombia, first. Specifically, there was discussion about aid to Colombia, in terms of its military, army, air force, et cetera. How would you assess President Uribe's efforts to strengthen security forces? And, in particular, I am interested in some of the anti-terrorism, anti-kidnaping issues that he is facing which are such a great threat to internal security.

Mr. STRUBLE. Thank you, Mr. Chairman.

I was struck by a line in the Government of Colombia's recently published National Security Strategy, which said that of all of the inequities that afflict the poor in Colombia, there is no greater inequity than that of access to security. Security in Colombia is important to achieving all of our objectives there. USAID, for example, cannot fully attain its objectives, although they have been very creative in their ways of trying, in alternative development unless there is adequate security in the areas in which they are seeking to work.

The United States, beginning last year, has an enhanced focus on providing security. The Congress was generous enough to appropriate, first in the fiscal year 2002 supplemental and then more recently in the fiscal year 2003 bill, a total of $98 million for infrastructure protection in Arauca Province. I would like to note that

the philosophy that undergirds this project is not that you protect a pipeline; you protect a province, you protect the people of the province, you bring in government institutions presently not active there, including prosecutors and police, and establish a thoroughgoing presence. That has been remarkably successful; even as we are at the beginning stages we have seen attacks against the pipeline fall from about 170 in 2001 to, if I recollect rightly, 42 last year.

We also received funding from you in the supplemental process last year for training bomb squads. And, indeed, in the markups that were done yesterday in the Senate, there was, again, funding provided in the supplemental for training of bomb squads. Vitally important. The FARC has been turning to urban terrorism even before the breakdown of the peace process in February of last year. They have been targeting the people who deactivate mines; if I recollect rightly, six of these small number of experts were killed last year doing this work. As you know, the bombs have increasingly been targeted against civilians in Colombia, as shown by the El Nogal bombing 2 months ago.

We have also provided assistance, sir, for specialized anti-terrorist and anti-kidnaping units, and this assistance gives them equipment, such as bulletproof vests, secure communications, training in hostage negotiation, training in special tactics. It is directed both at police special units and military units, the police being more active in urban areas, the military with the forces that are turned to in rural areas.

And then, finally, with the support that has been granted by the Congress, we have been able to assist the Government of Colombia to build hardened police stations in municipalities where there is no police presence at the present time. And we have also been able to provide training for a new type of force of the Colombian police, the carabineros.

There is a space that opens up between the time when the military goes into an area where the government has not been present and begins to push out the FARC or the ELN and the AUC and the time that the region is sufficiently pacified that a regular police force can be in there. And the carabineros are a mobile, mostly horse-mounted police force that have been specially training, that emphasizes on being present in these broad areas in that period between when the military starts to clean it out and a regular police presence to help in that transition.

Senator COLEMAN. I am hopeful that we will look kindly on the request, the budget request here. Is there something, Assistant Secretary Struble, that is not in here that Colombia really needs? If there was something that we should be doing to support President Uribe that perhaps we have not talked about, can you let me know what that would be?

Mr. STRUBLE. In point of fact, the supplemental that is moving very speedily through the Congress has provided that support. There was $34 million in additional funding for INL's INCLE account. That will help us to provide—I believe it's $5 million more for the bomb experts, $7 million for hardened police stations, $7 million for the security of President Uribe and other vulnerable members of his cabinet. It has $37 million in Foreign Military Fi-

nancing that helps especially the intelligence collection ability of the Colombia Armed Forces. And I think that we, in fact, have done very well with the Congress' support in backing up the political will that President Uribe has shown.

Senator COLEMAN. Thank you, Assistant Secretary Struble.

If I may, Mr. Franco, as we see success in Colombia, particularly dealing with the issue of eradicating and lessening the cultivation of the cocaine crops, coca production, my concern is that it is kind of like squeezing a balloon, and perhaps that it blows up a little bit more in Bolivia. And you noted in your presentation and talking about areas of concern of the instability that we are seeing in Bolivia. Can you talk to me a little bit about what our focus is there, what are our prospects of success, are there things that we need to be doing that we are not doing to try to find a little more stability in that area of the hemisphere?

Mr. FRANCO. Thank you, Mr. Chairman.

First, I would like to say that I share your concern about what we refer to sometimes as the "balloon effect," which is as we apply pressure and even—I think showing significant progress in Colombia, and I attribute that to the excellent work that has been done through our INL Bureau and the coordination we have had with NAS on the ground in Colombia, and really the very focused, very effective interagency approach to dealing with the problem.

As Assistant Secretary Grossman has said, this is a regional problem. This just underscores your concern. Colombia's problems are the region's problem. I think that he has tried, the Assistant Secretary has tried, very hard, and Assistant Secretary Struble, to stress that on our neighbors, and I think we have made progress in that area with Peru and Bolivia.

On the Bolivia question, to answer your question specific to the issue, in both Bolivia and Peru we have made significant progress over the years on alternative development and reduction of coca production. And controlling, which, as you know, in Bolivia's case, particularly, its illicit crop for non-narcotic consumption, and we have worked with the Bolivian Government to control that, I think, effectively over the years. I will say this, that has been a process of 15 to 20 years, as exemplified or illustrated by the GAO reports that have been conducted in the region. So this is a very long-term process, be it in Colombia or elsewhere.

The balloon effect, to the extent that we approach this, as I think we do in the administration—that is why we call it the Andean Counter-Narcotics Initiative. It is a regional problem and issue I think is the way to address your concern.

With respect to Bolivia, we have had conversations. We are engaging the new Government of Bolivia, the government of Sanchez de Lozada, President Lozada's government, on the need to make adjustments to our program in the Chapare and Yungas areas, where we have seen an up-tick in the production of coca. There are some, as I alluded to in my testimony, some issues regarding internal politics in Bolivia with an opposition party that has replaced the Cocalero Party. So we need to work some of those issues through.

We would like to continue to build on the infrastructure and the ability for illicit crops in the Chapare and elsewhere. We believe

that is the recipe, unfortunately, for success, and that is to provide an alternative. What has been the problem has been the disruption in the area recently, with strikes and things of that nature.

So I think to the extent that we can provide assistance to stabilize the situation in Bolivia, we can address the development issues as that stability comes to pass, because as the Assistant Secretary noted, Assistant Secretary Struble noted, be it in Colombia or elsewhere, without security on the ground it is extraordinarily difficult to conduct development work. So our strategy is to work with the Government of Bolivia on those pressure points and provide the necessary assistance once the situation on the ground is stabilized.

Senator COLEMAN. Thank you, Mr. Franco.

I am going to turn to our colleague from Florida, Senator Nelson.

Senator NELSON. I thank Senator Dodd, so that I can get on to an appointment. Just a couple of quick questions here about Haiti.

It is, as you have said it is, Mr. Struble, in a world of hurt. It needs political and economic stability. We need political stability to emanate from the President. I have spoken directly to him. My wife has actually spoken to his wife about this. And we were down there with a delegation a couple of months ago. But it is almost like a vicious downward spiral. You need the political stability in order to have the economic stability. The world banking community needs to know that they are going to utilize the funds adequately in order for those bank loans to be made. Now, recently we have heard of the possibility of a bridge loan that is being worked on to pay the arrears so that more loans can flow. Why is not our administration involved in working on this arrears situation?

Mr. STRUBLE. Thank you, Senator.

Our administration, has, in fact, been trying to help Haiti to access International Financial Institution lending. We changed our policy with the adoption of OAS Resolution 822 this past winter. It represented a hemispheric consensus that we should de-link international financial institution lending to Haiti from the resolution of Haiti's political crisis. They are both very important, but the position we adopted then was that the United States will support international financial institution lending to Haiti based upon Haitian compliance with the technical qualifications of those loans, and that includes very important transparency commitments.

Just some 10 days ago, there was a delegation from the Organization of American States, which included a representative from the United States, Special Envoy Ambassador Otto Reich, that visited Haiti for conversations with President Aristide and the opposition about getting the 822 process back on track. Accompanying that delegation were some representatives from international financial institutions. There will be a Permanent Council meeting in the OAS tomorrow to review how the Government of Haiti is doing against some of the benchmarks that were provided by this delegation that visited Haiti.

On the IFI side, the Inter-American Development Bank has talked about structuring a loan to Haiti that would allow the Government of Haiti to cancel its arrears to other international financial institutions. Naturally, it is important that Haiti first conclude a staff-monitored agreement with the IMF. Those discussions are

underway. They have made progress. The Haitians have done some things. They have changed their pricing scheme on gasoline, for example. They have made some commitments on transparency. It is very important that they follow through on those.

In the meantime, though, Senator, the United States remains the largest bilateral donor of assistance to Haiti. And in our request for fiscal year 2004, we are seeking $53 million for humanitarian assistance to Haiti.

Senator NELSON. Well, that is encouraging, because when I was in Haiti a couple of months ago, it seemed like that the administration had this ideological rigidity about these loans. And there is certainly concern about that, because Haiti was not doing what they were supposed to be doing with the money. On the other hand, to do nothing and just say, ideologically, "We're not going to give you the loans until you can pay off the other arrears," and they cannot do that. And, of course, it is a downward spiral. It is clearly not in the interest of the United States for Haiti to go in a downward spiral. It is clearly not in the interest of the State of Florida, where we get a lot of the out-migration. So that is an encouraging report, and I want to encourage you to get in there and do that and work that thing out.

It was so instructive to me. I went three times into Citi Soleil, the slum. And in the midst of all that slum, that open sewer and everything, there is a dignity of the people in Haiti. These little thatched, open-roof, stone huts, they would keep them just as neat as they could possibly in the midst of all of their poverty. A school for children, they got the children to go to the school and enforced it through their parents in this slum by getting the parents to come in and get instruction late in the day. And I saw those parents being instructed, and they were just so engaged. I mean, it was so encouraging to see that.

You were very generous with your time, and I am going to exit. I would just say an issue in front of us on the emergency supplemental that is on the floor right now is the question of food aid. As you know, I was involved in it with regard to Food for Africa. And I do not want to see—and I think we are working in a bipartisan way to get some language into the bill that they are not going to be able to squirrel the money away on food famine aid for Africa over to Iraq that we had intended to go to Africa. And I would say the same thing with regard to the food aid for Haiti. Let us make sure that what is intended in the bill gets there and does not get squirreled away to other areas.

Thank you.

Senator COLEMAN. Thank you, Senator Nelson.

Ranking Member Dodd.

Senator DODD. Thank you very much, Mr. Chairman. I thank Senator Nelson. There is an awful lot of ground to cover, and I am going to ask, Mr. Chairman, probably a consent to submit some questions because to cover the region would be difficult. And I do not want to get into a competitive war in a sense, but the fact that Western Hemisphere, as a region, receives the smallest amount of assistance in the world, about $830 million—not insignificant dollars, and realize there are massive problems that exist elsewhere, so I do not want to suggest that ought to be the standard nec-

essarily solely by which we judge the effectiveness of programs, but, nonetheless, when you consider the incredible problems that exist in this hemisphere in—we talked about Haiti a bit here, and I will raise that, as well. I already have in my opening statement.

Central American countries are in desperate conditions. I mean, in the end, when you go back and know the millions we have spent, literally hundreds of millions spent back in the 1980s as a result of the guerilla wars that were going on in El Salvador and Nicaragua, and then these countries being devastated once we resolved those conflicts down there, just countless, almost it seemed, natural disasters that plagued the region. You now have, according to one estimate, some 28 million people literally living in utter poverty just in the Central American countries. And you start talking about the Andean nations and the problems that persist in Colombia that we have already addressed to some degree here, and I want to come back to that a little bit in terms of the aid function there, it is a country that is being just shredded, where literally a million people now displaced, hundreds of thousands are leaving the country. Many send their children to school in the United States and elsewhere just because of the violence that is gripping the nation.

The problems in Bolivia are huge, and the problems in Brazil, which is, of course, the one country that if you do not get it right, everyone else gets affected immediately. The other countries can have problems and they do not necessarily affect everyone else, but the problems of Brazil—if Brazil gets a cough, everyone else gets pneumonia, is the often-used expression in—certainly in South America. The problems of Argentina, of course, have been well-reported in the media.

And I am not suggesting that all of these are areas necessarily where some dollar amount is going to necessarily solve the problem. And I say this with all due respect, because I know there are people, including our witnesses here today and others, who really do care deeply about the region. But I would be remiss in a hearing like this, Mr. Chairman, if I did not express a deep sense of disappointment that exists, in spite of all these other problems we face—and, Lord knows, they should be a priority problem; certainly 9/11 demonstrated that, certainly the problems in the Persian Gulf—but there is a sense that in the midst of all of this, this region has been terribly neglected over the last couple of years. And I share that concern, not that this should have been the highest priority, but the failure to even sort of engage this region to some extent has been deeply, deeply disturbing.

So let me raise, starting backward in a sense, just a general comment and maybe ask our witnesses, on the region generally, in terms of your assessment, generally speaking, about the region. Second, I would like to raise the issue, if I could, about the problems with the Millennium Challenge Account, if I could. The administration has proposed setting up an independent government corporation to provide a new spigot of assistance to poor countries who are committed to improving the lives of their citizens. USAID at the moment is excluded from the board of this new corporation. And I wonder how many countries in the Western Hemisphere will be eligible to receive resources from the Millennium Challenge Account. And so if you could respond to that, I would appreciate it.

And I wonder if you would just—and I said that in the first question to you, but if you had to assess access to more resources, what would your priorities be? I would like to hear from you what your—if you could sit there—and I know there is a—just generally, where would you—how do you think, stepping back from this and looking at the region, how you would assess what your priorities for the region would be, if you could, Mr. Secretary.

And then let me come back in, if I can, on a couple of questions, if time permits, Mr. Chairman, on the Haiti issue as well as the question of aid in Colombia. I would like to know what sort of levels of aid we are talking about there. In Brazil, obviously, again, will USAID provide any resources to the initiative of the Brazil Zero Hunger Effort there that President Lula de Silva has been talking about and whether or not we are going to participate in any way.

I apologize. There are a lot of questions, but obviously the region has a lot of questions.

Senator COLEMAN. And, Senator Dodd, I will note that, without objection, we will keep the record open for questions until the end of the week.

Senator DODD. Thank you.

Senator COLEMAN. So we will get those in.

Mr. STRUBLE. Thank you, Senator. I will take up your invitation to provide a general assessment of the state of the hemisphere and talk a little bit about what our priorities are, and then my colleague, Adolfo Franco, who was just in Brazil looking at, among other things, the Zero Hunger Program, and I know he will want to comment for you on that, and Haiti and a few other areas, as well as the Millennium Challenge Account.

On a general assessment, I had the opportunity to say in my oral statement and in my written remarks that of greatest concern to us is that while we have achieved the crowning success in the past 25 years of helping establish democratic governments in all but one country of this hemisphere, I am worried that citizens in the hemisphere are not satisfied with the quality of democratic governance. Corruption is much too high. If you look at Transparency International, they would rank a number of the countries in Central and South America toward the bottom of the worldwide scale. The World Bank study that is perhaps a bit more mid-term in its outlook puts them around the 50th percentile. But that is not acceptable for a hemisphere that puts such a priority on democracy and on responsive governments.

There also are the difficulties that our governments have had in creating macroeconomic stability and sustained economic growth. Now, mind you, our own troubles in the United States have contributed a great deal to that. As you have said, like Brazil, if we get a cough, everyone else in the hemisphere gets pneumonia. The fact that countries like Mexico have seen their growth rate go from 7 percent in 2000 down to 1 percent or 3 percent is illustrative of what an impact our economic downturn has had on countries that depend upon access to our market.

The Caribbean has been badly hit by the turndown in international tourism since 9/11. Other countries have been impacted by a more risk-adverse investment climate in the hemisphere. Some

of this will be cured as our own economy begins to pick up again. Some of this can be addressed on the policy side rather than the assistance side by moving smartly on programs like ATPDEA, CAFTA, and the FTAA.

On the Millennium Challenge Account, without getting into some of the specifics, I want to note that in the first year, based upon per capita criteria only, there would be five countries in this hemisphere that would be eligible, that have per capita income below $1,435. In the second year, there would be 7; in the third year, there would be 14. And those countries, just to take the first year for example, include most of those that have been cited by members of the committee as of special concern to them—Bolivia, Haiti, El Salvador, Nicaragua.

Now, of course, the criteria of the Millennium Challenge Account puts an emphasis in three different areas—political liberties, economic liberties, and investment in people. Most of our countries in the hemisphere do very well in political liberties. A country like Haiti would have more difficulty there. They are doing reasonably well on economic freedom, and they are doing better all the time in investment in people. But one of the things that would, in fact, be my priority is to ensure that countries in this hemisphere are in an advantageous position to compete for those additional resources in the Millennium Challenge Account. I do think, in fact, that combining good governance policies with assistance is a smart outcome, that it ensures that our assistance dollars will have much more effect there, and I particularly look forward to trying to help countries, the Central American countries, Bolivia, get access to this money.

Senator DODD. What was the reason why USAID was not included on the board? I do not understand that.

Mr. FRANCO. If I could——

Senator DODD. Just a quick answer. I do not know the—do you know the answer why they were excluded?

Mr. FRANCO. Well, Senator Dodd, I think the answer to that is the chairman of the board of—the proposed chairman of the board, as proposed to Congress, would be the Secretary of State. And as my boss, the Administrator, often says, "He's my boss," and, therefore, there is a sense, very strong sense, more than a sense, an understanding that USAID will, certainly on the ground, be working very closely. So I think that is Administrator Natsios' position, and the Secretary of State is the boss.

Senator DODD. Sure.

Mr. FRANCO. If I could just add, because—to your—I jotted down some notes—try to answer your questions and just add a bit to what Assistant Secretary Struble said, although he has done a superb job of outlining, I think, the administration's positions and concerns throughout the hemisphere. If I could just briefly comment on a few areas and concerns that you have expressed.

You have asked what would we do if we had a perfect world, and I wanted to say that with regard to trade capacity building—and free trade is not the panacea, not the answer to all the development problems in the world. And I think Ambassador Zoellick would be the first to say that, and I certainly believe that. But I do think, in the case of Mexico and NAFTA, I think that the num-

ber of jobs that have been created in Mexico, the stability, and I frankly think, Senator Dodd, the openings in Mexico can, in large part, arguably be attributable to the free trade accords that we have with Mexico and NAFTA.

So I believe that free trade—and we talk about trade capacity building—encompasses more than just what we want to do, which is open new markets for U.S. products and certainly have Latin Americans increase their exports and improve their competitiveness. It has the added benefit that when we are talking about an investment climate, we are talking about what Chairman Coleman has articulated, and that is questions of corruption, questions of crime. These are impediments to investments.

And when governments recognize that the old way of doing business, what we now refer, as Chairman Coleman has said, the second generation of reforms is now necessary. We have celebrated for the last 20 years free elections, which are wonderful. We now take almost for granted the transition, the peaceful transition, of power in the region—we just had elections in Ecuador—from one election to the other. This second generation of reforms and under the rubric of free world trade capacity encompasses things like reforms of institutions, transparency in budgeting, accountability, and political party building.

So I believe that if I had my druthers to say, and I think the President's vision, to push that agenda is to push a development agenda and a social and a political agenda as well as a trade agenda, as a general proposition. As the chairman has articulated, I think it is one of the—as you said, Mr. Chairman, at the beginning—one of the opportunities. Obviously, we face other challenges, but I believe that to be at the core of our foreign policy objectives for the region from USAID's perspective. And I know Assistant Secretary Struble and I have talked about that and he shares the need to promote this agenda.

On a couple of the countries that you mentioned specifically, our aid to Colombia, we are planning, in terms of development assistance programs, $150 million for Colombia. Now, expenditures this year were $125 compared to $37 million I recall when I first took this job over a year ago. So we are ramping up our assistance programs significantly in Colombia in three broad areas, and I will not take a lot of time here, but they are our alternative development programs, which I discussed in my testimony, in the coca producing areas. They have to do with justice, political reform, corruption issues we talked about, to reform the judicial system in Colombia, to have human rights. They have an early warning system in Colombia to avoid massacres, to bring in police and authorities into vulnerable areas as quickly as possible and a very important internally displaced people's program. Colombia is the only country in the region that has internally displaced people. There are actually, Senator Dodd, over 2 million people who are internally displaced. We have assisted 600,000 of them in conjunction with the PMR Bureau at State.

With respect to Haiti, I am sorry Senator Nelson has departed, we are planning this year, in fiscal year 2003, to spend $9.5 million above the congressional earmark for Haiti. So we are expending more than the Congress earmarked for the region. And we will—

I want to be very clear for the record—we will fully fund Haiti's emergency food needs. We have a commitment from the Secretary of State and from the Administrator to do that.

Last, with respect to Brazil, Assistant Secretary Struble said I was just in Brazil last week. I could not agree with you more, Senator Dodd. We need to engage Brazil. If we do not work with Brazil and we do not have a good relationship in partnership with the Brazilians, I think we are missing an enormous opportunity. And it is, as you said, in our enlightened self interest. We have a team that has just returned from Brazil on March 28, was in Brazil for 10 days, a USAID/USDA team working on Zero Hunger. I met with Minister Graziano personally in Brasilia to discuss how we can provide assistance in setting up a food-stamp-like program to reach Brazil's 53 million people who live on less than a dollar a day. Yesterday, I met with Ambassador Barbosa from Brazil to, again, offer our assistance in this regard. It's been very well received by the Brazilian Government. We expect a report next week.

Senator COLEMAN. Just a quick issue on the—and I apologize for the jumping around—but on the alternative development issues in Colombia, and particularly in the Putumayo section, which is one of the largest drug-producing sections in the southwestern part of Colombia, there is the—I wonder how the program has changed since the report was—is it the Gersoni——

Mr. FRANCO. Yes.

Senator COLEMAN [continuing]. So-called Gersoni Report.

Mr. FRANCO. Right.

Senator COLEMAN. How has the alternative development program changed since that report has come out?

Mr. FRANCO. Well, since that report came out, and I think it is a very valuable report, we have certainly invested a great deal more in infrastructure projects. Working with municipal governments—in fact, the Governor of Putumayo was up here in Washington this week, and I was hoping he would meet with as many members and staff as possible to discuss what we have done in the last year in infrastructure since the Gersoni Report, Senator, which has been work on bridges, work on road construction, work on community infrastructure and road-building, which is something we were not doing a couple of years ago.

I want to say this. This predates me, but I want to be as fair as I can to people at USAID. We were scheduled to close our Colombia program in 1999, so we have gone from closing the program to ramping it up to being our largest single program in Latin America. So we have done the best—they have done and we have done the best that we can on trying to focus in on program priorities working in conjunction with the Government of Colombia. But they are focused largely on infrastructure projects and then on licit agricultural activities for which there are markets in the area. Because, as you know, the proximity of Putumayo's other markets is one of the problems, and that is what we have done principally.

Senator DODD. Yes. I just want to underscore, as well, the points raised about Haiti, and there are a series of questions here. I go back—I recall—of course, the amount of effort, the amount of time—as some of you know, I was in the Peace Corps, of course, over on the western border of the Dominican Republic, back years

ago now, but I spent a lot of time in Haiti over the last 40 years. And back in the early 1980s, of course, after—or not the early 1980s; the late 1980s after President Aristide, went back, there was a real effort down there to buildup—we spent a lot of money in the policing, building up a better police security force. I do not remember the exact numbers, but it was in the millions of dollars.

And it has just been terribly disappointing that that has all sort of collapsed. Everyone said at the time this will have to be a sustained effort over many years in order to make this work. The idea you are going to come in and be able to sort of dump a lot of money onto a program, bring some people into an academy, and expect that you are going to change a culture was terribly unrealistic. In fact, even with the expenditure over a long period of time and commitments as hanging in there, the assumption was this was going to be a risky endeavor, as it was.

But we sort of all of a sudden stopped in all of this. And it is like chicken and egg in a sense. It seems to me without some security it is very difficult to get people to invest, it is very difficult to expect the kind of things to improve economically. And so I am just—how realistic—do we expect the Haitian Government to improve its own security, in a sense, when they have so limited resources here? And I wonder if you have any quick comments on that.

Mr. STRUBLE. Thank you very much. In fact, one of the issues that the OAS Special Mission raised with President Aristide was the need, the fundamental need, for security in order to have free and fair elections in 2003. And they asked President Aristide to appoint a new director of the Haitian National Police who would be credible, who would be seen as not politically dependent upon some outside party. Regrettably, the acting director who has been named by President Aristide does not fit that bill. He is a person who is suspected of having participated in the murder of the leading member of the political opposition almost a decade ago and who has other stains on his character that are of concern.

We did, indeed, make a sustained effort to help the Government of Haiti have an independent, apolitical, effective, competent police force. We are still struggling in that direction in the sense that we have urged in some of our special programs through the International Narcotics Affairs Bureau that they create special police units that are vetted and polygraphed and that can help them to advance in these areas. The size of the Haitian National Police has withered a great deal over the past few years. It is not been sustained financially by the Government of Haiti. As I mentioned before, there has been increased politicalization of it. And that, in the first instance, is something that needs to be addressed before the international community will be able to effectively assist the police force in performing its security mission.

Senator DODD. Last, I just raise the issue of—you mentioned the dollar amounts, in terms of assistance to Haiti. I think we are looking at here, $52.8 million, with almost half of that assistance in the form of food aid, $23.8 million. And this has hovered basically around this level now for a number of years. I would like to get just a quick assessment of how much of that assistance has gone to the Haitian Government organizations. The reason I raise that

is because the concern has been raised by some U.S. public health officials about our absence of involvement with the health officials with the HIV/AIDS issue and the spread of it and the growing concern, the fact that we have excluded our participation with any of these organizations has exacerbated some of these problems, particularly in the area of public health. And I wonder if you would comment.

Senator COLEMAN. Senator Dodd, before—this may be the last question——

Senator DODD. Yes.

Senator COLEMAN [continuing]. And I would actually like to add a piece to that so they can address these same—and that is the Economic Support Fund is an area in which there are zero dollars, as I understand it, to Haiti. And as you address Senator Dodd's question about these various funding levels, can you help me understand why no support for the Economic Support Fund?

Senator DODD. When I said "excluded," it is not excluded, but limited involvement would be a better choice of words.

Mr. FRANCO. Thank you. I will let Assistant Secretary Struble speak on the Economic Support Fund, since they are more of a State Department issue directly.

With respect to levels in Haiti, we will be transferring additional funds, so our total expenditure for Haiti for this year will be $62 million. That is what we are going to plan for this year for fiscal year 2003, which is significantly higher than we have had in the past, Senator Dodd, in terms of percentages. It represents a significant increase.

I want to reiterate our food program, humanitarian assistance, remains a priority, and we will fully fund Haiti's food needs. And I think that is very important for the committee to know. I know Senator DeWine and other Senators have also expressed concern to us on this matter.

With respect to the health officials, we have engaged. I mean, we have had contact with health officials in Haiti. I was actually in Haiti about a year ago with Secretary Thompson. So there has been contact with the Government of Haiti. However, our work and our resources are channeled through non-governmental organizations in Haiti. It is a high, intensive-focus country for us on HIV/AIDS. We are able to work with non-governmental organizations, I think, effectively in Haiti. I think Assistant Secretary Struble articulated some of the concerns we have with the Government of Haiti.

I want to be very clear that our commitment is to do everything we can to reach the Haitian people. I understand your position or your concern regarding the institutions in the country, but we are able to carry out, I think, a very effective HIV/AIDS program in Haiti through the non-governmental sector, which we support.

Mr. STRUBLE. And to add to what Assistant Administrator Franco said, I would first note that Haiti has also recently obtained access to some global funds, very significant ones. You recall that the President, in the State of the Union Address, announced a new $15 billion, 5-year initiative to fight HIV/AIDS in Africa and the Western Hemisphere. And $10 billion of that will be new funding. And the two countries in the Western Hemisphere that are specifically

found eligible for that are Haiti and Guyana. Some of the funds will also be distributed regionally. So I think it will have a very useful impact on it.

The determination of Haiti's eligibility was based, in fact, upon the pervasive poverty rates, the widespread nature of HIV/AIDS infection, as well as our assessment of their ability to absorb this additional aid.

On the question, Mr. Chairman, of ESF, as the Department was preparing its fiscal year 2003 budget request, the Department official who at that time was responsible for reviewing ESF levels, Under Secretary John Bolton, observed that virtually all of our programs in Haiti that were being funded by ESF were, in fact, classic Development Assistance programs that in other areas of the world were financed through the Development Assistance program of USAID. And therefore, the Department of State consulted with USAID and an agreement was reached that the ESF level would decline and the Development Assistance level would rise. However, there was a wash in terms of being able to continue most of these programs.

Senator COLEMAN. Thank you, gentlemen. The ranking member has left. I would note that during my time as chairman, I hope to draw upon his experience and passion that he has for this area. I suspect that—we have spent a lot of time on Haiti; we could have spent on a whole range of areas, many of which, Mr. Franco, you listed as the fragile concerns of Bolivia, Guatemala, Colombia, Venezuela. So there is a lot of work to be done. There is certainly great interest, and we do appreciate your appearing before us today and the work that you do.

Thank you, and this hearing is adjourned.

[Whereupon, at 12:50 p.m., the committee adjourned, to reconvene subject to the call of the Chair.]

RESPONSES TO ADDITIONAL QUESTIONS SUBMITTED FOR THE RECORD

RESPONSES OF J. CURTIS STRUBLE, ACTING ASSISTANT SECRETARY OF STATE, WESTERN HEMISPHERE AFFAIRS, TO ADDITIONAL QUESTIONS FOR THE RECORD SUBMITTED BY SENATOR JOSEPH R. BIDEN, JR.

Question 1 of 3. Last year, Congress provided authority for the first time to Colombia to use equipment provided by the United States for other than counter-narcotics purposes. Consequently, several dozen U.S. Army Special Forces soldiers recently arrived in northeastern Colombia to begin training Colombian soldiers to protect the 500-mile long oil pipeline near the Venezuelan border.

1. Can you give us a report on this training, how it is proceeding, and the force protection measures being taken for our forces in that region?

2. Is this training sufficient? Isn't one of the real requirements for these Colombian forces the need to have more mobility? What is the schedule for procuring additional helicopters for these units under the funding provided in the fiscal 2003 budget?

3. How do you assess President Uribe's partnership in the effort to train security and counternarcotics forces?

This supplemental request for fiscal 2003 contains over $100 million for Colombia ($34 million in DOD funds, $34 million for the Andean Counterdrug Initiative, and $37 million in Foreign Military Financing).

4. Can you elaborate on the purpose of this request and to which programs it will be devoted?

Answers:

Answer 1. Since January 2003, about 60 U.S. Army Special Forces trainers have been in Arauca and Saravena to prepare the Colombian Army's 18th Brigade to implement the Infrastructure Security Strategy (ISS), which focuses on protecting the Caño Limón petroleum pipeline. The training aims to improve the Brigade's intelligence collection and operational planning skills. Assistance to the Brigade's Counter-Guerrilla Battalion focuses on reconnaissance, quick reaction force operations, tactics and planning. Overall, training is proceeding well. We have trained two of the Battalion's four companies, which are now deployed to protect the pipeline.

The program still faces challenges. Historically, the 18th Brigade has been passive and risk-averse; we continue to work with the Colombians to change this mindset and to instill greater discipline among regular soldiers, both key to improving the Brigade's operational results.

U.S. Special Forces have undertaken major projects to enhance force protection for U.S. servicemen at the U.S. compound in Arauca. They installed cameras at the front gate and an infrared camera scans the compound's perimeter; soldiers cleared out underbrush, installed a back fence, introduced lighting, and built a berm to protect the rear of the main base. Sandbags fortify the U.S. compound; we will soon replace them with Hesco barriers (earth-filled bastions). The U.S. soldiers have a Battalion Surgeon on standby and rely on a Joint Intelligence Center for force protection, as well as for strategic and operational intelligence.

Answer 2. Our assistance programs for Colombia take into account the need for greater Colombian Security Forces mobility so that they can re-establish government presence and carry out President Alvaro Uribe's joint campaign against terrorism and narcotics trafficking.

We agree with your concern regarding air mobility. As we have previously briefed Congress, with the $93 million appropriated in the FY 03 Foreign Operations Appropriations Act (P.L. 108-7), the Department of State plans to provide additional helicopters to increase Colombian Army mobility in support of its pipeline protection mission, as required by the Act. We have also been exploring ways to respond to recent Colombian government requests for assistance in boosting the overall mobility of its forces. We are studying the feasibility of various options. We will, of course, consult with Congress as we develop our plans.

Answer 3. Colombian President Alvaro Uribe has done more than any recent Colombian president to support training for his military and police forces and has publicly called on Colombians to make sacrifices for public security, receiving broad popular support for this position. He increased government spending on security to 5.8 percent of GDP—an unprecedented commitment. Much of this new funding goes to training and equipment, as well as operations against Colombia's Foreign Terrorist Organizations.

Answer 4. We intend to use supplemental assistance to improve the training, mobility, and intelligence capabilities of Colombia's security forces so that they can more effectively confront the Western Hemisphere's most sophisticated and well-established terrorist groups.

The 2003 Supplemental allocates $37.1 million in FMF and $34 million for the Andean Counterdrug Initiative (ACI). Of the $37.1 million in FMF, $20 million will provide the Colombian Army Counter Drug Brigade and Special Forces Brigade of the Rapid Deployment Force with aerial intelligence and command and control platforms, including crew training and operational and maintenance support. $12 million will provide additional aviation training and equipment to enhance current hostage search and rescue capabilities. The remaining $5.1 million will expand the number of mobile listening stations intercepting terrorist communications, giving Colombians more information on terrorist operations, while providing a valuable force protection asset for both the Embassy and our various activities around Colombia.

The $34 million for ACI in the FY 2003 Supplemental package includes $5 million to provide bomb technicians with proper protective equipment, communications systems, remote controlled equipment and tools, and radio frequency blocking devices—enhancing Uribe's safety, particularly at his public appearances. These funds would also allow the Colombian government to hire more personnel to support an explosives repository database, critical to collecting and disseminating the latest information on terrorist bomber techniques. We intend to use $7 million of the ACI supplemental funds to continue helping Colombia establish a police presence in municipalities where the Colombian State currently has no security forces deployed, and to provide these new units with basic packages of arms, training and equipment.

We plan to use $7 million of the ACI funds to act on the results of our Uribe Presidential Security Survey and expand upon the training and equipment we have al-

ready provided to help keep Uribe alive. This funding will provide needed physical and technical security upgrades to key presidential sites, advanced protection courses and crisis response training. It will also help the Government of Colombia to respond to threats against other key government officials, such as when we uncovered a specific threat against the Mayor of Bogota, whose office is two blocks from the Presidential Palace.

The final $15 million will expand the drug eradication program, building on recent success in cutting the coca cultivation that finances Colombia's terrorist organizations. This funding will allow for continued use of three spray planes (pressed into service for search operations) that otherwise could not be operated due to funding limitations, and will purchase two additional aircraft. The funding will also allow for purchase of critical spare parts and components needed to maintain the readiness of the spray aircraft fleet and will provide pilot training, refueling equipment, additional imagery, fuel and coca herbicide.

Question 2 of 3. As you know, there has been significant and legitimate concern in the Congress about the human rights situation in Colombia. Most of the violations are committed by the guerrillas and the paramilitaries. However, there continue to be serious and credible allegations of continued collaboration between the Colombian military and the paramilitaries; for example, the State Department's 2002 Human Rights report states that "some members of the government security forces continue to commit serious abuses, including unlawful and extrajudicial killings . . . and collaborate with paramilitary groups that committed serious abuses."

1. Can you speak to these concerns?

2. How do you assess the Colombian military's attitude regarding respect for human rights and toward severing ties with the paramilitaries? Do you detect any material improvement?

3. How serious is the Colombian government about prosecuting the perpetrators of human rights abuses?

Answers:

Answer 1. Over the last several years, the Colombian Armed Forces have made significant progress in improving their human rights record. Elements of the Colombian Military (COLMIL) commit a small percentage of all human rights abuses in the country. Still, some military personnel continue to maintain ties to paramilitary units that are a major source of human rights violations. Impunity for both state and non-state actors is a core human rights problem. The civilian judiciary is hampered by resource constraints, competing demands, and threats and intimidation.

The Uribe Administration has pledged to improve its record. Additionally, President Alvaro Uribe and Defense Minister Marta Lucia Ramirez have stated repeatedly that they will not tolerate collaboration between military personnel and paramilitary groups. We have confidence in their commitment.

The Uribe Administration has already taken steps to improve the human rights situation in Colombia. Vice President Santos has reinvigorated the Presidential Human Rights Program creating a Special "Momentum" Committee to promote judicial resolutions of high-priority human rights cases, and establishing regular dialogue with local human rights groups. The Colombia office of the United Nations High Commission for Human Rights (UNHCHR) was extended through 2006. To create an environment conducive to the protection and promotion of human rights, Uribe has instituted a Democratic Security plan designed to increase and consolidate state presence throughout the country, particularly in previously neglected areas where U.S.-designated Foreign Terrorist Organizations have traditionally had significant influence.

We are committed to working with the GOC to continue to improve the Colombian military's human rights performance and will report to Congress accordingly.

Answer 2. We believe the Colombian armed forces are taking effective action to sever links between military personnel and paramilitary units. We recognize that more needs to be done, but we note that arrests, combat operations, and intelligence activities by the Colombian Armed Forces against paramilitaries increased in 2002. As of November 30, 2002, 183 paramilitaries were killed (compared to 117 in 2001) and 1,214 were captured (compared to 1,089 in 2001).

On May 1, 2002, the Secretary of State, and on September 9, 2002, the Deputy Secretary of State determined and certified to the appropriate Congressional committees that the Colombian Armed Forces met all three conditions of the statutory criteria as required under section 567(a)(1) of the Kenneth M. Ludden Foreign Operations, Export Financing, and Related Programs Appropriations Act, 2002 (P.L. 107-115). These conditions were the Colombian Armed Forces are suspending members

credibly alleged to have committed gross violations of human rights and/or paramilitarism; are cooperating with civilian prosecutors and judicial authorities; and are taking effective measures to sever links with paramilitary groups.

Answer 3. The Uribe Administration is committed to holding members of the Colombian Armed Forces accountable for their actions. As recently as March, the Prosecutor General's Office charged Lt. Col. Orlando Pulido Rojas with homicide and conspiracy for collaborating with paramilitaries in the murder of five alleged FARC collaborators in Casanare Department, and issued an arrest warrant for former General Jaime Humberto Uscategui for failing to prevent a paramilitary massacre in Meta Department in 1997.

Other recent military success against paramilitaries include:

- February 18—arrest of three AUC members in Cartagena;
- February 16—AUC leader in Cesar Department arrested;
- February 9—troops killed 7 and wounded 3 AUC members in clash in Valle de Cauca;
- January 30—arrest of two AUC members during Navy operation against AUC in Gulf of Morrosquillo;
- January 30—11th Brigade arrested two ATJC members in La Sierpe (Sucre);
- November 16—police and army arrest 16 ATJC members in Barrancabermeja.

We have advised the GOC on the new statutory certification requirements contained in Section 564 of the FY 2003 Omnibus Appropriations Act which sequesters 25% of funds for Colombia's security forces until the Secretary of State certifies that the GOC has made demonstrable progress on 5 conditions associated with severing military' paramilitary ties and ending human rights abuses. We are emphasizing to the GOC the importance of (1) suspending and prosecuting members of the Colombian Military (COLMIL) involved in human rights abuses or paramilitarism; (2) COLMIL cooperating with civilian prosecutors and judicial authorities in such cases; (3) COLMIL severing links with paramilitary organizations and executing orders for capture of paramilitary leaders.

We will report on the GOC's progress for this year's first certification later this spring and then again after July 31, as required by certification legislation.

Question 3 of 3. As you are well aware, unemployment and poverty in Haiti has worsened in the past two years. Currently, 80 percent of Haitians are unemployed; the average per capita income is $250 per year, less than one-tenth of the average in Latin America. Yet at the same time, the U.S. and multilateral institutions and donors are withholding direct aid to Haiti until President Aristide acts on a series of political, judicial and economic reforms.

To what extent is the withholding of United States' and multilateral assistance contributing to the poverty crisis in the country?

What steps is President Aristide taking to cooperate with the reforms set by the United States and the international community? To what degree is the implementation of the reforms contingent on the government having the financial resources to do so?

Clearly, as the United States and the international community continue to push for reforms, the Haitian people are suffering.

What can we do to increase attention to the immediate and critical needs of Haitians while the Haitian government's political and judicial reforms are in process?

Answers:

The U.S. government has not withheld any aid from Haiti; indeed, it has been and remains Haiti's largest bilateral donor, disbursing assistance through NGOs. The Administration is increasing its aid this year precisely to address critical food needs. The U.S. disbursed more than $840 million in assistance to Haiti in FY 1995-2002. The Haitian government has taken some of the reform steps requested by the International Monetary Fund as conditions for an agreement, but these steps have generally come slowly and without the transparency and consultation that would maximize their benefit. The IMF is continuing its dialogue with the GOH in an effort to reach an agreement on a sustainable budget and macroeconomic framework.

Historically, the high point of international donor assistance to Haiti was immediately following the return of elected government to Haiti. In FY 1995, Haiti received $611 million in total aid from the international community ($194 million from the U.S.), representing the disbursement of assistance allocations spanning over several years. Total aid declined to $427 million in FY 1996, and has steadily declined since, reaching $189 million in FY 2001 and $120 million in FY 2002. The largest portion of assistance from FY 1995-FY 2001 went into governance, including

U.S.-led efforts to dismantle the Haitian armed forces and set up a professional national police force. Those efforts concluded in FY 2001.

Principal USG aid programs budgeted for FY 2004 include:

• Food Security ($23.8 million): P.L. 480 Title II (food assistance) improves the nutritional well-being and food security of Haiti's poorest populations, especially children under five and nursing mothers. An early warning system developed to anticipate and prepare for food emergencies in the Northwest region is now being replicated in other parts of the country.

• Health ($21.8 million): USAID uses a network of over 30 local organizations to provide services to some 2.5 million Haitians, close to a third of the population. Child immunization rates in USAID-assisted areas are nearly double the national average, as high as 85 percent in some parts of the country. Child malnutrition rates in USAID-assisted areas fell from 32 percent to 22 percent in 1995-2000. The percentage of women nationwide seeking prenatal consultation has increased from 68 percent to 79 percent. The national contraceptive use rate has gone from 9 percent to over 15 percent, with even stronger gains in USAID targeted areas. This is part of our expanded AIDS prevention program. Haiti is also a beneficiary of the Global Fund against AIDS, Tuberculosis, and Malaria.

• Economic Growth ($1.75 million): Programs are aimed at sustainable increases in income for the poor. They expand availability of small business loans to urban micro-entrepreneurs; provide assistance to small farmers in marketing valuable export crops such as coffee, cacao, and mangos; and help Haitian artisans find niche export markets. Beneficiaries include small entrepreneurs (80% of whom are female), approximately 250,000 hillside farmers, and 2,000 artisans.

• Education ($2.5 million): Programs increase pass rates for third and fourth grade students through improved in-service training for 4,000 teachers and school directors, radio education in math and Creole, and the provision of books, teaching aids, and curriculum guides.

• Democracy ($2.9 million): Our democracy programs focus on increasing the professionalism of political parties, strengthening independent media and civil society organizations and promoting judicial reform and human rights. Training and other support is also provided for independent election observation groups. Our public diplomacy programs also bring Haitian government officials, journalists, and academics to the U.S. to observe and learn about U.S. public policies and programs.

Through these programs, we aim to alleviate poverty, illiteracy, and malnutrition and to promote respect for human rights and the rule of law. Effectiveness of U.S. assistance has been shown in the improvement of social indicators in the areas of intervention, despite a deteriorating economy overall.

USAID BILATERAL ASSISTANCE TO HAITI

[INCLUDES P.L. 480 FOOD]

BUDGET	FY 2001 Disbursed	FY 2002 Disbursed	FY 2003 Estimated	FY 2004 Budgeted
TOTAL in MILLIONS	$72	$56	$50	$55

The above figures do not include programs funded by the U.S. Departments of State and Defense for training! equipping units of the Haitian National Police with counter-narcotics responsibilities, Peace Corps, or U.S. contributions to Haiti through international organizations, such as the OAS, UNDP, and the International Organization for Migration (IOM).

The U.S. can best draw attention to the immediate and critical needs of Haiti by continuing its efforts to settle the current political crisis. Political stability will enhance prospects for economic development. The potential for investment in Haiti is great—in 2002 Haitians living overseas sent approximately $800 million in remittances back to Haiti.

The U.S. has made a sustained effort to bring about a resolution of the political crisis. The U.S. actively participated in negotiations at the OAS that produced Resolution 822, under which the Haitian government committed itself to a series of actions aimed at creating an improved climate of security for elections in 2003. Resolution 822 called for and supported normalization of Haiti's relationships with International Financial Institutions.

Some of the Haitian government's commitments—such as holding free and fair elections and long-term strengthening of the Haitian National Police and democratic institutions—will depend in part on international assistance. But many others—no-

tably first steps toward disarmament and the arrest and prosecution of those involved in political murders—are well within the financial resources of the Haitian government, which has simply failed to act. In failing to meet its commitments, the Haitian government has not shown the political will to achieve the political and judicial reforms needed for an improved climate of security.

A high-level joint OAS/CARICOM delegation, on which the U.S. was represented by Special Presidential Envoy for Western Hemisphere Initiatives Otto J. Reich, visited Haiti March 18-20 to urge the Haitian government to meet its commitments, and to call on the opposition to respond constructively once the government did so.

Primary responsibility for Haiti's poverty crisis rests with the Government of Haiti. Only it can adopt the policies that will attract domestic and foreign investment as well as increased levels of international donor support. These policies would not have significant financial cost to the government; in fact, they would tend to increase government revenues.

RESPONSES OF HON. ADOLFO A. FRANCO, ASSISTANT ADMINISTRATOR, BUREAU FOR LATIN AMERICA AND THE CARIBBEAN, USAID, TO ADDITIONAL QUESTIONS FOR THE RECORD SUBMITTED BY SENATOR JOSEPH R. BIDEN, JR.

Question 1 of 5. Early last month, the Administration reported that coca cultivation in Colombia had declined by 15 percent during the year. However, according to recent Central Intelligence Agency estimates, coca cultivation increased by 7.6 percent in Peru and 23 percent in Bolivia, where it had been declining.

I also understand that there is concern that some Colombian farmers have begun to plant a new variety of coca—called "Tingo Maria"—that can yield more than twice as much cocaine as the predominant strain of coca now grown in Colombia.

Question. How do you assess the progress of our alternative development efforts in Colombia, as well as the rest of the region? The eradication is clearly making progress, but have development efforts kept pace? How can they be improved?

Answer. Colombia. Significant progress has been achieved in our alternative development programs in Colombia. As of March 31, 2001, support had been given to 24,549 hectares of licit crops and 247 infrastructure projects had been completed, benefiting 22,829 families. All of these achievements surpassed cumulative program goals. The large-scale spraying of coca areas, especially in Putumayo, convinced farmers to abandon their illegal crops. Additionally, the continued fighting between armed groups contributed to farmers' growing distaste for illicit crop production in southern Colombia. These advances demonstrate that USAID is making significant progress in providing alternative agricultural options to illicit crop cultivators. Eradication has had a significant impact on farmers' willingness to participate in alternative development.

However, considerable challenges remain to sustain this progress. The lack of security and government presence in rural areas continues to pose a real challenge to private sector investment. Farmers must also be willing to invest some of their own resources in longer term alternative development efforts to achieve a sustainable commitment to licit activities. Finally, sustainable alternative development, licit crops, and income generating options must take into account the agro-climatic conditions and marketing opportunities.

Peru: Since 1995 USAID/Peru's AD program has contributed to the reduction of coca cultivation from 115,000 to 34,000 hectares. The program was successful in improving licit income and living conditions in the five areas where most of Peru's coca is produced. The value of licit production for agriculture, livestock, and forestry sectors rose 40%, from $27 million to almost $39 million and the population's access to basic social services increased almost 50%, from 40% to 59% through 2002.

Over the last two years, a convergence of factors has caused USAID to dramatically shift our strategy. Coca prices have risen, as has coca production, while the price of a key licit crop such as coffee has dropped precipitously. Coca paste and cocaine is now dispersed among smaller labs throughout the coca-growing region. The new Peruvian Administration has not effectively countered the growing coca farmer opposition to the eradication efforts.

Under USAID/Peru's new strategy, AD benefits are linked to eradication targets, and USAID strategically chooses to enter those communities that offer some alternative economic opportunities so that the development investments can yield returns that, coupled with improved governance and social services, will increase the likelihood that farmers do not replant coca.

Since the shift to the new strategy, the AD program is having a more direct impact on the eradication of coca. Judging by the rate of acceptance and the pace at

which new communities were entering agreements for the new autoeradication program, results are encouraging. Judging by the growing opposition from the narco-traffickers, USAID concludes that the program's initial success is threatening their business and is, therefore, effective.

USAID must use its funds to leverage private investment in productive markets and infrastructure along with creating an environment where the State acts with authority and public services are provided. While USAID is moving quickly, these kinds of lasting developmental changes take time to achieve.

Bolivia: Considerable progress has been achieved in reducing net coca cultivation in the last five years. Although, cultivation increased slightly last year, the potential for annual cocaine production has dramatically decreased by two-thirds from 240 MT in 1995 to 60 MT in 2002.

Alternative development programs significantly contribute to net coca reduction by conditioning assistance to farmers, thus avoiding coca replanting. More specifically, over the past two years approximately 60,000 Ha in the Yungas of La Paz received certification from the Government of Bolivia's coca eradication agency (DIRECO) as free of coca cultivation. In the Chapare, approximately 13,000 families have agreed, in exchange for alternative development benefits, to forego coca replanting. The rather large USG-funded alternative development investments over the past 15 years continues to enable forced eradication of some 10,000 Ha of coca each year in the Chapare.

Question. What can you tell us about cultivation of the new variety of coca in Colombia?

Answer. Tingo Maria's special characteristic is its high productivity. This coca variety responds well to higher levels of fertilization, higher plant density per hectare and good rainfall. For example, the plant density for regular coca ranges from 8,000 to 12,000 plants per hectare; for Tingo Maria the average is at least 30,000 plants per hectare. This variety is now found, to one degree or another, in all coca-producing areas of the country, but the department of Norte de Santander is where the highest productivity has been observed. The characteristics leading to its higher productivity also lead to a higher risk for farmers growing this variety. The costs and labor intensity are higher and the higher density and cultivation in open areas also make them more susceptible to identification and subsequent aerial spraying.

Question. How concerned are you about coca cultivation appearing to move from Colombia to Bolivia and Peru? Please speak to this possible demonstration of the "balloon effect." What new steps are being taken to help the governments of Bolivia and Peru control this new trend?

Answer. The increased pressure on narco-traffickers by the Uribe government is resulting in increased production of illicit crops in Peru and Bolivia where the governments have a much less aggressive stance. While changes in AD strategy can somewhat mitigate this increased production, it is imperative that the USG press these governments to match Colombia in their strong stand against narco trafficking.

Peru: Peruvians, from elected leaders to farmers, must be more aware of the dangers of increased production. As part of a new strategy that links AD benefits to eradication targets, USAID has solicited the political support of elected leaders in an effort to permanently eliminate illicit coca, as well as community participation in the decision to eradicate their coca. USAID added a "communication for behavior change" component to our new strategy which aims to convince citizens of the multitude of negative effects of coca—on health, on environment, on governance, on the economy, on development—as a means to achieving greater Peruvian ownership of the problem. This component includes a variety of measures targeting a change in public opinion. USAID has also added a new component that focuses on national policy issues aimed at better delineating legal from illegal coca, determining the actual domestic consumption of licit coca and the licit commercial use of coca, and strengthening of the Peruvian drug czar's institution, among others.

Bolivia: The Mission believes that we and the GOB need to be very concerned. We know that demand will continue, so the supply will come from somewhere. The recent heightened violence in the Chapare and the slowness of the GOB response by rule of law institutions, demonstrating weakness, may attract more coca. With regards to the steps taken to control this trend, the USG must press the GOB to hold the line and not loosen up on current eradication policy.

Question 2 of 5. As you well know, there is considerable public opposition in countries such as Bolivia and Peru to U.S. forced eradication efforts and a consequent request for increased alternative development programs.

At the same time, in the President's budget request for Fiscal Year 2004 for the Andean Counterdrug Initiative, the amount for interdiction programs in the region increased over Fiscal Year 2003, from $407.5 million to $448 million, while funding for alternative development and institution building decreased, from $275.4 million to $257 million.

Question. Can you give us an overview of how alternative development programs are working, or not, throughout the Andean region?

Answer. Please see the response to Question 1.

Question. What is the reason for the decrease in funding for alternative development programs?

Answer. There are many important priorities and needs in the Andean countries and elsewhere in the region. The Deputy Secretary of State weighs these in determining the proportion of "hard" eradication and interdiction activity funding to "soft" alternative development funding.

Question. What steps are we taking to support alternative development as the third leg of an effective counter-narcotics strategy? How do you recommend that we improve upon alternative development to work in coordination with eradication and interdiction programs?

Answer. In Colombia, alternative development is a critical element of eradication and interdiction efforts. The importance of aerial spraying in Colombia is clear. Farmers surveyed in Putumayo ranked the risk of forced eradication along with a desire to get out of a violent social situation as their reasons for embracing alternative development programs. In areas where aerial spraying was not a threat, farmers were hesitant to participate in alternative development programs.

Alternative development programs should not necessarily operate in all areas where interdiction, and especially eradication, is being carried out. Alternative development in the case of licit crops must be based on sound agro-climatic and marketing opportunities. Going after illicit crops with alternative development activities is not feasible in all areas where illicit crops are grown. Such a strategy would not be implementable with the current resources levels devoted to alternative development. Further, security and a government presence are needed to sustain the gains made through eradication. In areas where there are viable alternative development options, the consolidation of coca-free areas is critical to protect farmer and private sector investments in licit crops.

Peru: The timing and sequencing of alternative development interventions is now strategically linked to eradication and interdiction. In developing the GOP 2003 eradication plan, USAID worked closely with DEA and NAS to develop a strategy and geographic focus where the three institutions work in an interdependent fashion. For example, in one particularly difficult valley of the coca-growing region, the strategy calls for DEA to support interdiction through roadblocks and seizures first while USAID begins a communication campaign aimed at the evils of coca. Then NAS begins a program to destroy processing labs. The intent is to disrupt coca prices long enough for USAID to enter and secure eradication agreements with the communities. The timing and sequencing of this strategy is critical for USAID to be successful in securing eradication agreements without social unrest thereby making the initial step in alternative development—the eradication—possible.

Bolivia: In Bolivia, the USG is the largest, single donor supporting alternative development efforts. USAID continues to be engaged in policy dialogue with the Government of Bolivia's Vice Ministry of Alternative Development and key ministries to ensure coca eradication conditionality is consistent with Law 1008. In addition, the USAID Mission has been supporting the GOB in the development of a new alternative development strategy, which maintains eradication targets but expands social programs.

Question 3 of 5. The Administration has set forth an ambitious agenda of rapidly completing negotiations for a Free Trade agreement with five Central American countries (CAFTA) which began in January 2003 and establishing a Free Trade Area of the Americas (FTAA) by 2005.

Question. What is the nature of foreign aid programs that are characterized as "trade capacity building"? What do these programs do?

Answer. "Trade Capacity Building" (TCB) programs seek to help the developing countries participate more fully in the evolving "rules-based" global trading system under the World Trade Organization (WTO) as well as a growing number of "free trade agreements" (FTAs) in which these countries are signatories (or negotiating to become members).

TCB programs provide technical assistance in three broad areas: (1) preparing for trade negotiations (e.g., technical training to understand the trade issues that are being negotiated); (2) implementing trade agreements (e.g., technical assistance to establish standards and practices consistent with obligations under a trade agreement); and (3) transitioning to free trade (e.g., helping countries to develop capacity to produce quality goods and services they can sell in the expanding global marketplace).

TCB programs help developing countries strengthen their capacity to trade through a mix of assistance interventions, including training, technical assistance, technology transfer, research and studies, development of data bases, small business enterprise development assistance, and civil society outreach, among others.

Question Where in Latin Anerica do we focus aid for these types of programs?

Answer. USAID is providing TCB support throughout the LAC region, with a focus on the Central American countries of El Salvador, Nicaragua, Guatemala and Honduras, the Caribbean countries of Dominican Republic, Jamaica and the island nations of the Eastern Caribbean, and the South American countries of Brazil, Peru, Bolivia, Ecuador, and Colombia.

TCB programs are implemented by:

- A growing number of our bilateral Missions which are including TCB as the major focus of their economic growth portfolios;
- Three sub-regional programs which are providing regional TCB assistance in the Caribbean (J-CAR), Central America (G-CAP), and the Andean Region (USAID/Peru); and
- AID/W which manages a "rapid response" mechanism that provides quick and flexible assistance in response to TCB-related needs that arise in the context of the ongoing FTAA negotiations.

Question. While economic growth may be a means to alleviate poverty, trade analysts have expressed the concern that new regional trade agreements could roll back existing requirements to respect workers' rights which have been negotiated under unilateral preference programs, particularly for Central America (such as the Generalized System of Preferences and the Caribbean Basin Economic Recovery Act). Can you speak to this concern? What safeguards are we taking to ensure that labor, as well as environmental, protections that currently exist through unilateral preference programs, will not only be maintained, but strengthened through the establishment of the two regional free trade agreements? For which countries in Latin America is the strengthening of workers' rights and environmental standards the most crucial?

Answer. USAID responds to TCB requests that countries make for assistance in a number of areas. However, since USTR takes the lead in negotiating the new trade agreements, these are issues on which the USTR would have a more informed basis for providing the requested information.

Question 4 of 5. As you are well aware, a combination of extreme drops in export coffee prices, drought, and tropical storms have brought an intense increase in the level of severe malnutrition in several countries in Central America.

About half of Nicaragua's five million people live in poverty, with 17 percent living in extreme poverty. In Guatemala, about 83 percent of the people live in poverty, and almost 60 percent in extreme poverty. In Honduras, the per capita income level is $850 per year.

Question. What are we doing to address this crisis in Central America?

Answer. In order to respond to these development challenges, USAID provided over $200 million to Central American countries for development assistance, emergency relief, and earthquake reconstruction in FY 2001, followed by another $277 million in FY 2002.

Since Hurricane Mitch, USAID has concentrated on more comprehensive disaster mitigation efforts, such as early warning systems, watershed protection, construction standards, and community planning. The new USAID Opportunity Alliance has an important vulnerability management component, scheduled to begin in FY 2003, to assist countries in managing climatic and environmental risks, including disaster preparedness and mitigation, watershed management, and forest fire control. As it did last year, USAID is closely monitoring weather conditions and crop production in Central American countries. USAID is using a new USDA database, which shows precipitation, ground water, and vegetation data on a 10-day basis, and is collaborating with NGOs and host governments to monitor the agricultural and nutritional situation at the local level. Moreover, USAID is developing a comprehensive early warning system for Central America, based on a model used successfully in Africa.

Household consumption surveys and nutritional monitoring under feeding programs will add an important dimension to this information network.

A glut in the coffee market has depressed prices dramatically. World coffee prices have declined by 75 percent in the last 24 months due largely to the oversupply created by new production from Southeast Asia and increasing production from Brazil. It is expected that production from Brazil will increase again this year, so the coffee prices for the upcoming year will likely remain low. The loss in income for Central American farmers was on the order of $1.5 billion in the 2001-2002 production year alone. Falling prices at the farm gate (currently less than one half of normal prices) mean that many farmers, including small-scale producers, cannot earn enough to cover their production costs. Many hundreds of thousands of seasonal jobs and hundreds of thousands of permanent coffee farm jobs are being lost. The economic downturn in the United States has also had a devastating economic impact on Central American countries which send most of their exports to the U.S.

Under the Opportunity Alliance, USAID is supporting trade capacity building and rural diversification. USAID is fostering public and private partnerships and trade-led growth. In the medium term the rural diversification component aims to stimulate agricultural diversification and off-farm employment among the region's poorest inhabitants. Demand-driven business development services will help small and medium farmers and rural enterprises improve competitiveness and tap new markets within the agriculture sector, including nontraditional exports, and specialty coffee, and into non-agricultural areas such as ecotourism, aquaculture, crafts, and services.

Innovative finance activities will stimulate small-scale rural finance and venture capital and will promote linkages between remittances and microfinance institutions and credit unions. A regional activity to develop quality coffee has already been funded with $6 million in FY 2002 funds and an intended additional $2 million in FY 2003. It will increase competitiveness among selected Central American producers by assisting them to improve the quality of coffee and to access the expanding specialty and quality coffee markets. In FY 2003 and beyond, funding under the rural diversification component will also help some farmers who cannot compete in coffee to diversify into agricultural or non-agricultural alternatives.

To focus on the trade side, USAID will augment existing regional programs to build trade capacity to help prepare countries for the Free Trade Area of the Americas, the World Trade Organization Doha Round, and U.S.-Central America Free Trade Agreement negotiations, and to meet trade obligations, e.g., sanitary/phytosanitary measures, customs, and intellectual property rights. Under this effort, USAID will also target legal, policy, and regulatory reforms to improve the trade and investment climate.

Over the past year, with hunger as the main concern, the distribution of most emergency food aid was through food-for-work projects aimed at improving long-term food security and rehabilitating community infrastructure; however, where warranted, mother-child feeding programs used free rations to target malnutrition in children under five. In addition to emergency and non-emergency food aid, USAID supported programs that provided seeds and other agricultural inputs to farmers in the affected regions. USAID continued to target food aid resources throughout the year, as poor households required help to cope with the effect of drought and loss of employment in the coffee sector.

USAID support was extremely responsive to affected families after the 2001-2002 crop season. USAID collaborated actively with U.S. private voluntary organizations (PVOs) responsible for distributing PL 480 Title II development food aid to transfer in-country Title II commodities to drought emergency zones. The USG was also the primary contributor of commodities to the World Food Program (WFP) to assist drought-affected farmers and unemployed coffee plantation workers in the region. Between September 2001 and August 2002, the USG contributed over $22 million to short-term emergency drought relief, which helped deal with localized food shortfalls, treatment of malnutrition problems stemming from the drought and the coffee crisis, and preparations for the next planting season. USAID and its PVO partners worked in close cooperation with the WFP, UNICEF, and local governments to coordinate all emergency operations. These efforts were essential in helping national governments mobilize their own and other donor resources to come to grips with the crisis in their own countries.

Question. What are the governments of these Central American countries, if the capacity exists, doing to reduce malnutrition and hunger?

Answer. The rural crisis is reducing government revenues, further weakening national financial systems and contributing to overall social and economic instability. The countries are heavily dependent on the coffee sector for rural employment, farm

family income, and export earnings. Central American countries are collectively, but differently, going through a sorting out of their financial sectors. Each country has its own set of problems. Few have well regulated financial sectors despite many years of advice from the donor community and the international financial institutions. An example of some specific actions the Central American countries are taking to combat malnutrition follows.

Front-page pictures in 2001 of severely malnourished Guatemalan children like two-year old Juan José, who was only the size of a six-month old baby, shocked Guatemala and the world. The chronically poor nutrition situation in the Central American region reached crisis proportions in Guatemala due to the combined economic fallout from the coffee crisis and slowdown in the U.S. economy. The nutrition crisis exposed a big gap in the Guatemalan Ministry of Health's community programs. Community program norms like regular monthly weighing of children, counseling of mothers on better feeding practices and health care were not being adequately carried out. This realization, along with a high-level commitment to respond to the nutrition crisis, combined to become a unique opportunity to learn from a neighboring country and promote the sharing of best practices.

For several years, Honduras has implemented a successful community nutrition program called Integrated Child Care (known by the Spanish acronym AIN) that detects growth faltering at an early stage and prevents malnutrition in young children through effective nutrition education for their caregivers. Authorities from the Guatemalan Ministry of Health, USAID, key health partners and U.S. nonprofit organizations working in food assistance were invited to Honduras to learn about this community nutrition program and observe it in the poorest communities. Despite the similar circumstances due to the coffee crisis and crushing poverty, Honduran villages with the community nutrition program successfully prevented severe cases of child malnutrition often seen in Guatemala. The Guatemalan Ministry of Health immediately made the adoption of the community nutrition program a top priority, formalizing its commitment in the "Tegucigalpa Declaration". The Guatemalan Ministry of Health decided to incorporate the best features of the community-based program into their existing integrated management of childhood illnesses program, which emphasizes diagnosis, treatment and counseling for common childhood illnesses at clinical level. The revamped program emphasizes prevention of maternal child health problems at the community level, with strong emphasis on early detection of growth faltering and prevention of malnutrition in children less than two years of age. After the trip, U.S. nonprofit organizations working in food assistance also began implementing the community nutrition program in their nutrition emergency food aid programs. As a result, within months the U.S. organizations cut the percentage of children not gaining adequate weight in half.

What made this south-to-south exchange so successful was the win-win fashion in which it was carried out. The Guatemalan Ministry of Health had an excellent, world-famous program of contracting out to local nonprofit health organizations to expand health care coverage that the Honduran Ministry of Health wanted to learn from. In return for organizing the visit to orient the Guatemalan delegation on its community nutrition program, a Honduran Ministry of Health delegation visited Guatemala to learn about how it contracts local nonprofit health organizations. Honduras then adapted the effective tools and systems that the Guatemalan Ministry of Health had perfected for its outstanding public-private partnership. Now both countries are contracting local community organizations to extend health care coverage to the rural poor that otherwise would have no access. The exchange of best practices between the two governments and USAID missions has proven very successful and cost-effective. These shared strategies have saved thousands of dollars and years of time by using proven approaches developed with previous USAID investments to jump-start programs in both countries.

Question. How does U.S. Agency for International Development coordinate with other federal agencies, or multilateral institutions such as the United Nations and the World Bank, to alleviate the increase in malnutrition and poverty in Central America?

Answer. In each Central American country, USAID is working with international financial institutions, nongovernmental organizations (NGOs), host governments, and other donors to develop greater access to and responsiveness of national institutions. We meet regularly with our counterparts at the InterAmerican Development Bank and World Bank in Washington. In the field, USAID participates along with the Ambassador on "group of friends" donor organizations to ensure coordination and to maximize impact. Periodic 1DB chaired Consultative Group meetings bring together the donor community with the countries to discuss economic, political, social, and financial issues. On malnutrition and poverty issues, USAID supports the

efforts of the World Food Program and others. We coordinate closely at the sectoral level with the United Nations, Organization of American States, and regional organizations.

Question. Should the United States rejoin the International Coffee Organization as a means to alleviate the poverty caused by the collapse of the world coffee market? Why or why not?

Answer. The ICO recently informed President Bush of an ICO October resolution inviting the United States to rejoin. Several Latin producers and the U.S. coffee industry support this move. Although the United States Government withdrew from the ICO in 1993, the Trade Policy Staff Committee (TPSC) is reviewing this position. USAID, together with State, USTR, and other members of the TPSC will complete consultations with Congress to determine whether the US will rejoin or not.

In order to rejoin the ICO, the USG would need to accede to the 2001 International Coffee Agreement, or if possible, to apply the Agreement provisionally. State Department lawyers are reviewing the requirements for accession to the Agreement. It is unclear at this point if there is a deadline under ICO procedures for participating countries to accede to the Agreement.

Question 5 of 5. The State Department's 2002 Human Rights Report states that serious human rights abuses continue in Guatemala—and in some areas, respect for human rights has deteriorated. In 2002, Guatentalan security forces continued to commit extrajudicial killings and, in some cases, tortured, abused, and mistreated suspects and detainees. In addition, threats increased against journalist, labor organizers, and other activists.

Question. What is your assessment of the current human rights situation in Guatemala? Is it getting better or worse?

Answer. The situation has gotten worse over the past year, as these threats to prominent human rights workers have increased.

Question. What steps has the Portillo Administration taken to investigate and prosecute human rights violations by Guatemalan security forces?

Answer. The Portillo Administration recently agreed with civil society groups to create an international commission to investigate clandestine groups that appear to be the cause of the increased threats of violence against the human rights community. This commission is to be established by September 2003 and would be empowered to investigate the groups and bring cases to the justice system. On the other hand, it is alleged that these clandestine groups have ties to the Portillo government. The USG will contribute to the operation of this commission.

Also recently, local human rights organizations played an important role in the selection by the Congress of a new Human Rights Ombudsman. With the support of USAID, a consortium of civil society organizations organized themselves as the National Movement for Human Rights and designed and implemented a successful lobbying strategy to influence the selection process. Their strategy successfully mobilized public opinion and key contacts to affect votes in the Guatemalan Congress.

The first element of the strategy developed by the Movement was to identify and support persons that would meet their criteria as ideal candidates for the Ombudsman position. Some 74 organizations participated in the election of three pre-candidates for the Ombudsman position. These candidates traveled together in the interior as well as in the capital and spoke publicly of their vision for a future Office of the Human Rights Ombudsman.

The high profile of the three pre-candidates helped create a political imperative in the Congressional Human Rights Commission to name one of them as part of the list of three candidates presented to the Congress for their plenary vote to select the Ombudsman. When Dr. Sergio Morales, head of the human rights center at San Carlos University and frequent collaborator with USAID, was named as one of the candidates, human rights organizations developed a lobbying strategy and held a forum for all the candidates to express their views. Their efforts contributed significantly to building support for Dr. Morales and his election to the post by the Congress.

The election of a civil society candidate was remarkable since the government and Congress include many architects of the civil war's systematic violation of human rights. Credit should be given to the public relations efforts of Dr. Morales who approached recalcitrant sectors to lower their fears regarding his candidacy and to the human rights organizations which opted for a lower profile, non-confrontational approach at the key moment of election. The election of Dr. Morales, with the backing of the human rights civil society sector, creates new opportunities for collaboration between civil society and the government in protecting human rights.

Question. What are we doing to help strengthen the rule of law, democratic institutions, and administration of justice in Guatemala?

Answer. USAID has been very active in promoting rule of law, democratic institutions, and administration of justice in Guatemala both through the Peace Program and through its democracy and governance effort. Pressure from the international community and civil society helped push the government to take some significant actions that lay the ground work for greater inclusiveness and responsiveness in Guatemala's nascent democratic system. Reforms in the Guatemala City Clerk of Court Office and in case file and information management systems in each Justice Center are significantly improving justice system efficiency while reducing the potential for corruption. The time to locate case files dropped from hours to less than 15 minutes for 95% of users; random assignment of cases prevents forum shopping; case loads are balanced; and due process is improved because information on time required for various stages of court procedure is now available. The Supreme Court is using statistics on workload, productivity, case intake, and bottlenecks to improve efficiency and identify problems that need attention and is now taking action to further standardize and institutionalize these efforts.

The successful pilot effort to reduce the backlog of unresolved cases managed by the Public Ministry in Quetzaltenango (where 32,000 backlogged cases were cleared up) has been expanded to Santa Cruz and Huehuetenango (where nearly 43,000 cases have already been reviewed). Public Ministry case intake units emphasizing customer service (reducing the time involved to file a criminal complaint from 4-5 hours to less than 15 minutes) are now in place in all Justice Centers as well as Guatemala City. Victims Attention Offices, supported by USAID in the capital and in Justice Centers, are also now expanding nationwide, providing over 8,000 victims of crime and their families with medical, psychological, and legal counseling.

The major structural reform of the country's principal law school has been basically completed and the new curriculum has been instituted for the first year. The complete revamping of the curriculum, admission standards, an indigenous law program, and an expanding internship program will all contribute significantly to improving the quality of personnel entering the justice system.

Efforts to promote broader more effective civil society participation in the policy process and oversight of the public institutions continued under a USAID program which began activities in September 2001. Eight civil society coalitions now focus on combating ethnic discrimination, transparency/anti-corruption, public security, and congressional oversight. These coalitions have successfully organized around the strengths of multi-sector actors to focus varied experiences and synergies on achieving concrete results. For example, an academic center, a war victim's organization and an organization fighting organized crime are working together to improve public security and professionalization of the National Civil Police. Over the last few months, the Alliance for Transparency (a coalition of the Chamber of Commerce and two regional organizations from Quetzaltenango) developed an ideal profile, selection criteria, and procedures to elect the new Comptroller General and focused public attention on this process for the first time. PAQ'UCH, a coalition focused on combating ethnic discrimination, negotiated successfully with government authorities to create the Presidential Commission Against Racism and Discrimination. The Crime Prevention Association (APREDE) is bringing together gang members, the media, citizens, and police in working to reduce crime in six target areas. Accion Ciudadana has helped establish the Citizen Observatory, a coalition composed of fifteen civil society organizations focused on promoting access to information and lobbying for a new Access to Information Law.

Question. How does aid to Guatemala in the Fiscal 2004 Budget request compare to previous funding levels?

Answer. Guatemala's level was reduced from $51.1 million in FY 03 to $45 million in FY 04. Cuts were severe in the area of economic growth, trade, and agriculture. The democracy and governance program depends heavily on continuation of ESF funding.

RESPONSE OF WILLIAM A. BELLAMY, PRINCIPAL DEPUTY ASSISTANT SECRETARY OF STATE, AFRICAN AFFAIRS, TO AN ADDITIONAL QUESTION FOR THE RECORD SUBMITTED BY SENATOR RUSSELL D. FEINGOLD

Queston. What diplomatic steps can be taken to ensure that Cote d'Ivoire does not descend into the lawless violence that currently grips Liberia and once held sway in Sierra Leone? What kind of assistance can reinforce this effort?

Answer. The United States Government recognized early the danger that prolonged conflict in Cote d'Ivoire could degenerate into the kind of senseless violence that has occurred in neighboring countries, and has closely worked with the leaders of the Economic Community of West African States (ECOWAS), the Government of France, the United Nations, the government of President Gbagbo and the Ivoirian parties to stop the conflict and assist in peace negotiations.

As a result of these efforts, the Ivoirian parties to the conflict have achieved a cease fire and have begun to put into place an effective peace process. We have encouraged ECOWAS leaders to remain involved at the highest levels. They have responded by participating in numerous regional summits and by being present at key events such as the Paris conference following the Linas-Marcoussis agreement on January 25-26, the swearing in of the new Prime Minister, Seydou Diarra, and, most recently, at the April 3 meeting of the new Ivoirian Government of National Reconciliation in Yamoussoukro to ensure the attendance by the rebel ministers. The ECOWAS leaders have also made good on their pledge to deploy a peace observation force, numbering 1288 men, to Cote d'Ivoire.

The United States has pressed Liberia strongly to assert control of its borders to prevent the movement of Liberian fighters into Cote d'Ivoire. Additionally, we have made clear to other governments bordering Cote d'Ivoire that any actions that might contribute to exacerbating the conflict are unacceptable to the United States.

The Department of State believes that the active and determined efforts of ECOWAS can contribute most effectively to the peace process. We will continue to support ECOWAS political and peacekeeping efforts. To date, we have dedicated $4.35 million for transportation, communications and logistical support to the ECOWAS military force in Cote d'Ivoire. We also have provided vehicles, communications equipment, and generators to the force from our depot in Freetown, Sierra Leone.

At the same time, we have supported efforts in the United Nations that might contribute to the peaceful resolution of the conflict. We were firm supporters of Security Council Resolution 1464 of February 4, 2003. We are presently working positively in the UNSC to craft a resolution that would reaffirm the international community's continued support for the Linas-Marcoussis process, and define the tasks that the UN can undertake, under the direction of the Special Representative of the Secretary General, Ambassador Teveodjre, to further assist in the peace process.

The immediate and continuing thrust of our diplomatic efforts is to end the violence, focus the parties on a workable process that can achieve the restoration of peace and stability, and prevent outside interference that might destabilize the situation further. At the same time, we are also keenly aware that the conflict has exacerbated the human rights situation in the country. While it is the Government of Cote d'Ivoire's responsibility to hold those responsible accountable, we are also working to ensure that other governments collectively and individually make all Ivoirian parties aware that these actions are unacceptable and must be redressed.

Finally, we have been working with international humanitarian and refugee organizations and regional governments to help ease the plight of those who have lost their homes and jobs as a result of this conflict. To date, we have provided $1.5 million to the Office of the United Nations High Commissioner for Refugees to help those who have fled the country; $50,000 to the International Committee of the Red Cross for emergency aid inside Cote d'Ivoire, and $383,113 to Merlin for emergency medical aid inside the country. This is a continuing situation that will require long-term attention.

RESPONSES OF HON. CONSTANCE BERRY NEWMAN, ASSISTANT ADMINISTRATOR, BUREAU FOR AFRICA, USAID, TO ADDITIONAL QUESTIONS FOR THE RECORD SUBMITTED BY SENATOR RUSSELL D. FEINGOLD

AIDS IN AFRICA

Question. The HIV/AIDS pandemic is a problem of such horrifying scope and scale in Africa that it demands a truly historic international response. I appreciated the President's commitment in his State of the Union Address, and I hope that we can all work together to make the U.S. commitment to prevention, care and treatment a reality. The President committed to spend new funds on AIDS rather than robbing existing foreign assistance accounts. But even before his announcement, it has been clear for some time that increasing our focus on HIV/AIDS sometimes means decreasing the resources available for other programs. I am looking for the silver lining to this zero-sum scenario. So tell me more about the positive spill-over effects of our ATDS programs. How are we empowering girls and women, and improving

health infrastructure, through these targeted assistance efforts, and how are we maximizing that spill-over element?

Answers:

1. Empowering Women and Girls. Until the mid-1990s, the role of women in the AIDS crisis was little recognized. Now women account for more than half of all infections in Africa. In addition, it is increasingly recognized that women and girls bear a disproportionate share of the care and support burden at the household level. Therefore, USAID and others increasingly target programs and assistance at women. For instance, USAID:

- Works through and strengthens maternal and child health centers;
- Helps women to reduce their risk of HIV/AIDS infection;
- Is increasing the number and quality of mother-to-child transmission programs, and initiating antiretroviral treatment programs in three countries: Ghana, Rwanda and Kenya;
- Educates women (including widows), who become household heads because of the AIDS death of their spouse, about their property and inheritance rights;
- Works with an increasing number of HIV/AIDS women's groups to provide advocacy for AIDS and women's issues, to support to women living with AIDS, etc.;
- Pays special attention to the needs and participation of girls, including the provision of school and bursary fees and targeted peer education materials so that girls can better protect themselves against HIV/AIDS; and
- Involves men in discussion groups and outreach programs to better support the health and welfare of women and girls.

2. Improving the health infrastructure. Already overstretched health systems in developing countries, particularly in Africa, are having difficulty responding to the emergence of the HIV/AIDS crisis. The pandemic is increasing demand on health services, while at the same time health workers themselves are dying of HIV/AIDS in greater numbers. USAID remains the preeminent world leader in health systems research and development, including on HIV/AIDS. USAID is strengthening systems by:

- Developing protocols for health services that will reorient health systems in light of HIV/AIDS;
- Developing drug supply mechanisms and systems to ensure the most effective use of limited resources;
- Assisting in the analysis of health personnel requirements, including training, to ensure that appropriate and sufficient staff are available;
- Developing care and treatment guidelines, and supporting countries to implement their new policies and practices; and
- Developing management systems that support prevention, care and treatment, as well as developing a regulatory framework for the introduction of antiretroviral treatments and the work of the private sector in health care provision.

3. Maximizing the spill-over effects:

- As part of its mother-to-child transmission, voluntary testing and counseling and antiretroviral programs, USAID is strengthening hospitals, clinics, and primary health care centers, training health staff, and building better systems;
- As part of its orphans and vulnerable children programs, USAID is training teachers in HIV/AIDS, strengthening prevention through peer education, providing much needed materials and supplies to impoverished schools for orphans and vulnerable children, increasing the enrollment of girls, and strengthening out of school programs through distance learning;
- At national levels, USAID is supporting health, education and social welfare policy and legislation reviews; and
- In all countries, USAID HIV/AIDS programs work with faith-based or community-based organizations, which in turn strengthen civil society.

BASIC EDUCATION INITIATIVE

Question. The Basic Education Initiative puts a heavy emphasis on providing textbooks to African students. In which languages will these textbooks be produced? I know that Historically Black Colleges and Universities in America will be involved, but what about African institutions and publishers? Doesn't it make sense to develop their capacity? Which actors in this initiative have experience in cost-effective textbook development and distribution?

Answer. The initial six countries for the textbook component of the Africa Education Initiative (Benin, Ethiopia, Guinea, Mali, Senegal, and South Africa) were

chosen because they are currently engaged in programs that develop and produce textbooks and other learning materials. The language of the textbook component of the initiative will be the official language of learning in each country.

Historically Black Colleges and Universities will work in partnership with in-country institutions including ministries of education, universities and teacher training colleges, and other appropriate institutions. The intent of the program is to develop the capacity of the African partners as well as strengthen the contribution of Historically Black Colleges and Universities to development in Africa.

This program does in fact emphasize in-country commercial publishing capacity. It will generate employment and support economic growth by contracting locally with printing companies and, where feasible, support the upgrade of existing printing machinery to enable increased business activity. The program will help local companies to develop and produce quality, long-lasting learning materials. By working with the publishing sector to develop and produce textbooks and other material, this program will rekindle these African publishing capabilities and stimulate economic growth.

Hampton University and Elizabeth City State University are the lead institutions in this program. Hampton University has over 100 years experience in developing, publishing and distributing educational materials.

ANTI-CORRUPTION FUNDS

Question. Corruption stands in the way of nearly every U.S. foreign policy goal in Africa. The President's own Millennium Challenge Account initiative acknowledges this, placing a high priority on addressing corruption in eligibility criteria. But I notice that in FY 2004, anti- corruption DA funds are requested at a $6 million level, a decrease from the $7.5 million in the F? 2003 request. Why is this? How do you plan to use these funds?

Answer. The Africa Bureau has launched an Anti-Corruption Initiative that will promote; public access to information; citizen advocacy and participation in decision-making; transparent and accountable government procedures; effective government oversight institutions; and public-private dialogue. The initiative will also support African-led anti-corruption efforts, such as the good governance principles put forward under the New Partnership for Africa's Development (NEPAD) and the emergent anti-corruption agendas of various African institutions like the African Union and the Southern African Development Community.

Most of the anti-corruption funds will be used to support bilateral programs in a limited number of missions and regional programs implemented by USAID's three regional missions in Africa. From among the twenty-two bilateral missions being invited to submit proposals, approximately six will receive funding.

The intent of the initiative is to concentrate these additional resources in a limited number of countries where a dedicated anti-corruption program can show results in a five-year period. Missions have been encouraged to consider carefully the local enabling environment for anti-corruption programming and the probability of achieving results. Budget levels for bilateral programs are expected to be between $250,000 and $750;000 per year in scope. Proposals are due in Washington on April 30, at which time they will be reviewed against specific selection criteria, and funds allotted. Regional missions have been asked to submit work plans that outline how they will provide technical support and work with regional institutions and organizations to adopt and implement anti-corruption protocols.

The reduction of funding for the initiative in the FY 2004 request from the FY 2003 request level results from the need to prioritize programming choices among competing needs within an overall FY 2004 request level that increases by only $41 million. The FY 2004 HIV/AIDS request increases by $75 million (30 percent) over the FY 2003 request level, and funding for Sudan triples in the FY 2004 request to $66 million. Meeting these program build-ups, while also providing increased funding levels for Administration initiatives in trade, agriculture and basic education, required USAID to pare down funding for a number of other programs. These reductions include a 27 percent decrease in overall democracy and governance activities and a 20 percent reduction in the Anti-Corruption Initiative.

RESPONSES OF J. CURTIS STRUBLE, ACTING ASSISTANT SECRETARY OF STATE, WESTERN HEMISPHERE AFFAIRS, TO ADDITIONAL QUESTIONS FOR THE RECORD SUBMITTED BY SENATOR RUSSELL D. FEINGOLD

Question 1. The latest coca crop survey showed that, while cultivation declined somewhat in Colombia, it rebounded in Bolivia and Peru. Yet the Administration's

FY-2004 request calls for holding alternative development assistance to Bolivia steady while cutting it nearly 28 percent for Peru. Can you explain this inconsistency?

Answer. The Administration formulated its FY-2004 budget request before survey information became available indicating 2002 coca crop increases in Bolivia and Peru.

We held steady our alternative development-funding request for Bolivia in recognition of the Government of Bolivia's need to offer stronger alternative development incentives to restive coca growing communities that challenge local government stability in outlying areas.

We reduced our FY-2004 alternative development request for Peru to reflect the lack of a well-defined Government of Peru strategy to tie alternative development benefits to progress on coca eradication and a slowdown in Peruvian alternative development activities due to vigorous opposition in some key coca growing areas.

We will revisit these allocations in light of the 2002 coca crop increases, looking for opportunities to push ahead with alternative development programs in Bolivia and Peru.

Question 2. The Administration has stated that alternative development programs cannot be developed for every community where illicit crops are found, yet it supports the Colombian policy subjecting all drug crops to aerial fumigation without condition. Colombia already has hundreds of thousands of rural unemployed and internally displaced people. What do we expect coca farmers to do after their crops are sprayed?

Answer. Limited resources, security constraints, and low population densities make it extremely difficult to develop alternative development programs for every farmer or every community where illicit crops are found. Environmental fragility also renders some areas impractical for alternative development program interventions.

Both USAID and Colombian government resources support alternative development in departments with illicit crops targeted for aerial eradication. The GOC announced in mid-2002 that all drug crops would be subject to spraying without condition and is proceeding to implement this policy with USG support.

USAID-funded alternative development programs focus on communities willing to collaborate in sustained eradication efforts. The threat of aerial eradication of illicit crops is a compelling and key element in convincing farmers to voluntarily eradicate their drug crops, participate in alternative development programs and return to licit activities.

USAID alternative development programs emphasize offering farming communities an alternative by improving market access and supporting licit income generating activities that will help reestablish a legitimate economy. As of December 31, 2002, 20,128 families had benefited from these programs and 15,742 hectares of licit crops had been established.

USAID is also investing in cost-effective areas that are likely to attract migrant coca leaf pickers away from drug production and into licit occupations. By involving farmers and communities, USAID alternative development programs are reestablishing farmers' confidence and participation in sustainable medium and long-term alternative income generating possibilities.

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