STATE, FOREIGN OPERATIONS, AND RELATED PROGRAMS APPROPRIATIONS FOR 2014

HEARINGS

BEFORE A

SUBCOMMITTEE OF THE

COMMITTEE ON APPROPRIATIONS

HOUSE OF REPRESENTATIVES

ONE HUNDRED THIRTEENTH CONGRESS

FIRST SESSION

SUBCOMMITTEE ON STATE, FOREIGN OPERATIONS, AND RELATED PROGRAMS

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Staff Assistants

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STATE, FOREIGN OPERATIONS, AND RELATED PROGRAMS APPROPRIATIONS FOR 2014

WEDNESDAY, APRIL 16, 2013.

DEPARTMENT OF STATE

WITNESS

HON. JOHN KERRY, SECRETARY, DEPARTMENT OF STATE

OPENING STATEMENT BY CHAIRWOMAN GRANGER

Ms. GRANGER. The Subcommittee on State, Foreign Operations, and Related Programs will come to order.

Mr. Secretary, I want to start by welcoming you for your first appearance before this committee. We look forward to working with you to address some very difficult issues.

We now realize that what was first called the Arab spring may last a very long time. We continue to watch the conflict in Syria with tremendous concern and sadness as the humanitarian crisis continues. And Iran appears focused on developing its own nuclear capability while they interfere in other countries and create instability.

We must recognize that what happens in the Middle East and North Africa can and does impact us here at home. We have to remain engaged in the region and support democracies that respect the rights of all people. We need partners who want to work with the United States and be responsible members of the international community. During a period of tremendous unrest in the region, it is critical that we support our strong, steadfast allies, such as Jordan and Israel.

During the hearing today I hope you will address these issues and also begin to explain the administration's fiscal year 2014 request. The $52 billion requested for the State, Foreign Operations Subcommittee includes $47.8 billion for State and USAID. This request is an increase above the prior year when sequestration is factored in. This will be hard to defend at a time when discretionary spending is decreasing.

One difficult budget issue we need to address together is embassy security. The recent deaths of a foreign service officer, American soldiers, and a government contractor in Afghanistan remind us that we must stay focused on keeping American employees safe in a very unsafe world. My thoughts go out to their families, and I hope we all remember them as we work together to meet security requirements.

Secretary Kerry, it is already clear that in your first 2 months in office you want to work closely with other foreign leaders. You

have already traveled several times to the Middle East and Europe and you just returned from the Asia-Pacific region. This subcommittee knows it is important to move Israel and the Palestinians toward peace, and we look forward to hearing more about what the administration is doing. We also need to know if the recent changes in the Palestinian Authority will have an impact on U.S. assistance.

Outreach to European countries is also critical because the U.S. must work with its allies on our most difficult problems, from Syria, to Iran, to Mali. We know you just returned from South Korea, China, and Japan, and we would like to hear a readout of your discussions to understand what these countries are doing to address the threat of North Korea. But it is just as important to make sure our neighbors know that they are our partners.

We need to know how the administration will work with our allies in Latin America, particularly the new President of Mexico. The budget request shifts funds away from what we have traditionally called the frontline states of Iraq, Afghanistan, and Pakistan. We need to know how the U.S. will maintain influence in these countries if the Congress follows the administration's proposal.

Finally, I want to raise a concern I know I share with many of my colleagues on the subcommittee. We must do more to stop the poaching crisis that is affecting stability in Africa.

Mr. Secretary, I want to thank you and the dedicated men and women of the State Department and USAID for what you do every day to promote U.S. interests abroad. As you have said "what you do over there has an enormous impact over here."

And in closing, I want to offer my sincere condolences to you and the people of your home State of Massachusetts for the tragic events that occurred on Monday. We know an investigation is underway and I think an arrest has just been made and we hope to get more information. But it reminds us all that terrorism knows no boundaries and the work of the State Department and other Federal agencies helps to keep this country safe. My thoughts are with you and the people of Boston.

I will now turn to my friend and ranking member, Ms. Lowey, for her opening remarks.

OPENING STATEMENT BY MRS. LOWEY

Mrs. LOWEY. Mr. Secretary, it is a pleasure for me to join Chairwoman Granger in welcoming you to our subcommittee. I am very proud of the achievements of our former secretary, my constituent. However, you come to this position with a lifetime of service. You have our confidence and appreciation at a time when your skills are so badly needed, and we appreciate it.

I specifically commend your early success mending the relationship between Israel and Turkey and reinvigorating the Middle East peace process. Your schedule has been so hectic in the first month or so. Has it been a month yet? I do hope you are getting enough sleep.

Today I want to offer my condolences to all in the State Department family on the tragic loss of Anne Smedinghoff. Her contributions will be remembered, and I hope that those injured in this heinous attack will make a swift and full recovery.

Mr. Secretary, I, too, want to join with my many colleagues in the House and express our heartfelt condolences to your friends and neighbors in Boston.

As you know better than most, diplomacy and development are essential components of our national security strategy, making us safer at home and abroad. Investments in people through education, economic opportunity, health, and nutrition promote stability, peace, and economic growth. The administration's commitment to sustainable development, human dignity, and the rule of law in a challenging budget environment recognizes that these small investments greatly benefit our country.

The budget request for fiscal year 2014 represents a realistic vision that balances many competing priorities. Generally, I am pleased to see the maintenance of our global health programs and increases for maternal and child health and embassy security. But I am again disappointed in this administration's continued shortsighted, unacceptably low request for basic education. Mr. Secretary, we cannot make progress on any of our international priorities, from food security, to building democratic institutions, to sustained health outcomes, if generations of children grow up without basic literary skills needed to secure a job, understand basic health and hygiene information, and make smart choices about finances and behavior. I hope you will address this shortcoming in basic education today.

In addition to my concerns about basic education funding, I hope you will address several other policy concerns. I urge you to continue the progress made by Secretary Clinton to provide strong support for women and girls throughout the world, including combating gender-based violence. I hope you and your Ambassador-At-Large for Women's Issues will focus on enhancing the role of women in government throughout the world, specifically in countries undergoing transition, such as Egypt, Yemen, and Tunisia.

Support for international family planning activities is vital to women and families around the world. I hope you will discuss the potential impact of cuts to our bilateral assistance and the imposition of divisive policies like the global gag rule, as well as the importance of our relationship with UNFPA.

Finally, we cannot allow sequestration to hollow out our State Department and USAID staffs, similar to the situation in the 1990s. Increased waste, fraud, and abuse will result from reduced program and contract oversight. We need to know the Department's strategy to remain agile and efficient in this difficult fiscal climate.

We are also facing very serious regional challenges today. First and foremost with the threat of nuclear attack from North Korea and the danger to our ally South Korea, the military is shifting its assets. Reports coming out of North Korea detail political prisons, summary executions, starvation that would be revolting in the Dark Ages. This situation cannot continue. Perhaps you can share with us your thoughts as to whether diplomacy still stands a chance.

You said last week that we will never accept North Korea as a nuclear power. Can we deescalate the situation to bring North Korea back to the negotiating table?

In Syria the bloodshed and refugee outpour continue. Are we doing enough? Can we work with this opposition coalition? Who are they? What do we do about extremists or terrorists coopting the opposition? Where should we focus our investments given all the unknowns?

And lastly, we are all committed to ensuring that Iran never obtains nuclear capability. It was tremendously disappointing that the latest round of talks were not successful. I support our strong sanctions. Are you considering additional economic sanctions or setting a deadline on future negotiations?

Thank you again for your tireless efforts on behalf of our nation. I look forward to hearing your testimony. Thank you.

Ms. GRANGER. I will now yield to the chairman of the Appropriations Committee, Mr. Rogers, for his opening statement.

OPENING REMARKS BY CHAIRMAN ROGERS

Mr. ROGERS. Madam Chairwoman, thank you for yielding. I want to start by acknowledging the difficult work that you and Ranking Member Lowey do on this subcommittee. Mrs. Lowey is so dedicated that she is doing double-duty as Ranking Member on this Subcommittee and on the Full Committee. We are looking for a third job for her.

Mrs. Lowey and I both agree on the importance of having hearings on what the agencies are spending, crafting bills that responsibly fund the federal government, and looking for areas where these programs can be more efficient. I am committed to working with her to move appropriations bills through the Subcommittee, Full Committee in regular order, and with the new chairman on the Senate side of the Appropriations Committee, Senator Mikulski, and her Ranking Member, Senator Shelby from Alabama, we are determined to do regular order and get us back on an even keel.

Mr. Secretary, congratulations on your appointment to this position. I know it is something you are well suited for and have trained, in fact, for this job. We thank you for being with us today to discuss the Department of State's fiscal 2014 request. From the continued instability of the Middle East, to the economic difficulties around the world, to the evolving challenges in the Asia-Pacific region, particularly North Korea, there is no question you are serving during a very critical time of history.

Tragic events like the unfortunate bombing in Boston on Monday remind us again that our country, our freedom and our way of life is constantly under threat, and we must take measured steps to protect the values that we hold dear. Our hearts go out to your colleagues and citizens in your great State and your wonderful city.

As the chairwoman mentioned, the request that you have made for 2014 is $52 billion, which is about $1.2 billion above the prior year once you factor in the effects of sequestration. This is going to be difficult to do given the funding constraints that the Committee is under. We need to work with you to prioritize your most important needs. So we look forward to continuing this conversation.

As you know, one budget issue I followed closely for my 30 years on this committee, and most of that on the subcommittee that

funds State Department that Frank Wolf now chairs, embassy security. I look forward to your testimony today so we can get a better understanding of the administration's plans to keep American diplomats and development officers safe. We have some very tough choices ahead for us. I look forward to hearing your testimony today.

Ms. GRANGER. Secretary Kerry, your full written statement will be placed in the record, so feel free to summarize your statement.

OPENING STATEMENT BY SECRETARY KERRY

Secretary KERRY. Thank you very, very much, Madam Chairwoman, and Madam Ranking Member, my good friend Nita Lowey, Chairman Rogers, and members of the committee. It is great to appear before you. This is a privilege for me. I like the intimate setting, and I look forward to having good dialogue with everybody. We do indeed, Chairman Rogers, have very important choices in front of us, and we have to obviously put them in their appropriate context, and I will try to do that this afternoon.

I want to thank you all for your mention of the Boston Marathon. Representative Wolf, Frank and I were talking beforehand about running the Boston Marathon. I did it a long time ago, and it is a great event. Clearly, to have Patriot's Day among all days turned into bloody mayhem is beyond the pale, and everybody is still reeling from it.

A few minutes ago before I came in here, the ticker was talking about the potential of an arrest. I will say to you that the latest data I have is no arrest has been made but they have, quote, "solid leads." And that is sort of where we are now. But as President Obama said, nobody is going to rest until we get to the bottom of this.

Turning to the challenges of the budget and the challenges of foreign policy, you have all listed the enormous array of challenges that we face. But we are the United States of America and we are still the indispensable Nation, and people all over the world look to us for leadership. And I have seen that reinforced in me in the, what are we now, 2 months-plus that I have been privileged to serve President Obama and the country. It is amazing to me how, even more so than I learned as chairman of the Foreign Relations Committee, it is critical, the choices that you make and that we make together.

So I am really happy to be here to talk about this budget. I think we can more than justify it. As Senator Lindsey Graham has said very eloquently, America's investment in foreign policy is national security insurance. And I absolutely believe that. If you can make the right small investments up front, you can avoid costly conflicts.

You know, we have spent about a trillion dollars in Afghanistan, and I think about the same in Iraq. It seems to me that in the last months we have had underscored to all of us a lot of developments that underscore the stakes for us having a strong presence in every part of the world. And I am really appreciative, Chairwoman Granger, for your cooperation and participation in some efforts to try to advance our diplomacy, and Congresswoman Lowey. It has been critical and it will be critical as we go forward. We are going to have to work really closely together in this.

You saw what happened in our rapprochement between Israel and Turkey. That is diplomacy, and it came about because we are able to be there, be present, be involved with both nations in ways that serve both of our interests, all of our interests. And that is the art of diplomacy, is being able to bring interests together at the right moment in time.

The committee, I know, and I know we will discuss it today, has had some robust discussion about Syria. I look forward to that discussion today because it is a critical issue for us. We have contributed nearly $385 million for humanitarian relief to put essential resources through the Syrian people, as basic as sending flour to bakeries in Aleppo, which makes a difference, to providing food and sanitization in the Atmeh refugee camp. And I look forward to discussing it as we go on today.

I think we may be looking at this budget, Chairman Rogers, slightly differently, but we can discuss that in the course of the day, because our 2014 budget request, we believe, represents a 6 percent reduction from the 2012 funding levels. Now, why do I say 2012? Because we had a CR for 2013, so we never had the full budget comparative process. And we think we have implemented reforms and made some reductions that delivers the maximum bang for the taxpayer's dollar.

Now, let me give you a few examples of that. With just over $3.5 million, the State Department's Bureau of Conflict and Stabilization Operations made key investments leading up to the recent elections in Kenya. And I want to congratulate, you know, our Assistant Secretary of State for Africa, Johnnie Carson, has just left the Department, just retired, and he did a superb job of day-to-day diplomacy. I personally was on the telephone with Kenyatta, with Odinga, talking to them, trying to walk through the process. We came out of that without the kind of violence that could rip apart a country and provide further requirement for the United States and for the rest of the world to be engaged. So we reduced a repeat of the violence that we saw during the last election.

Our antiterrorism assistance funding has helped save the lives of hundreds of people, quantitatively, in places like Pakistan, India, Lebanon by training local law enforcement to detect and neutralize explosive devices. And all of you are privileged to the intelligence that shares with you some of the things that our fellow Americans never see because they do not happen, because working with other people we prevent them from happening. Whether it is the Saudis, or the Israelis, or others we are able to intervene ahead of time.

We believe the 2014 budget maintains our commitment to peace, security, and stability where all three of those things can be a very scarce commodity. And I have already traveled, as you mentioned, three times as Secretary to the Middle East and North Africa, which is struggling to respond, not to a religiously motivated revolution, but to a fruit vendor who wanted respect, and dignity, and the ability to be able to sell his goods. Responded to young people who gathered in Tahrir Square—not the Muslim Brotherhood, they did not bring this—young people in a generational revolution believing they want to share in what the rest of the world has brought us this. They brought us an election and some other people won the election.

So we have to sort of deal with this emerging aspiration, if you will, that is global. To that end, this budget requests $580 million for the Middle East and North Africa Incentive Fund so we can help give reformers the tools and resources they need to make the right decisions on behalf of their folks. And this fund will allow us to say to people, if you are willing to take on these deep-rooted challenges, if you are willing to believe in democracy, if you are willing to go to the polls, you are willing to invest in the process, we are going to stand with you, and we are going to help you. And with all due respect to the members of the committee, this is de minimis, de minimis.

I mean, think of what George Marshall did at the end of World War II, when we had the courage—against the will, I might add, of many Americans—to invest in a defeated Germany, and a defeated Japan, today two of our greatest allies, two of the strongest economies in the world. And it is an example of what can happen in this transformative process.

We put aside in this budget $8.6 billion for our security, counterterrorism, and law enforcement assistance. I ask you to compare that $8.6 billion to the $1 trillion that we spent fighting, as I said earlier, in Afghanistan and Iraq. It is penny-wise and it is pound-wise as well.

The simple fact is, and I am more convinced of this than ever after 28 years on the Foreign Relations Committee, we cannot be strong at home if we are not strong in the world. We also cannot be strong in the world if we are not strong at home. So that has something to do with the choices we make here in Washington about our own budget and our own deficit and so forth.

But I believe we need to do more to get out there and stoke the economic engines with the trade and business opportunities that are available in other countries. I said in my confirmation hearing, almost all diplomacy today is economic diplomacy. I believe that. I see that in the TTIP. I see it in the TPP. I see it in this race for resources. And China is currently investing more than the United States in Africa. We need to think long term. And this budget, I believe, is critical to our tapping the growing markets of Asia, which are essential to America's economic recovery.

When it comes to shoring up our economic health and protecting national security, I believe our development work is one of our strongest assets. And let me be very, very clear: Development is not charity. It is an investment. It is an investment in a strong America and a free world.

Eleven of the top 15 trading partners of the United States today were once beneficiaries of U.S. foreign assistance. You can just look at Korea, where I was a couple of days ago. Fifteen years ago, 20 years ago, we were giving aid to Korea. Today Korea is giving aid to many other parts of the world.

So I will just tell you quickly a couple of the reforms we are making in the budget that I think are the most visible. In the food aid program, we are giving ourselves the flexibility to choose the most appropriate and efficient type of food assistance that we will give. And by doing so, we are actually able to reach an estimated 2 million to 4 million more people every year with the exact same discretionary funding. At the same time, we are going to save approxi-

mately $500 million in mandatory funding over the next decade, which we will use to reduce the deficit.

American growers and producers, and I know the members of the committee are concerned about it, you know, first of all, I will say to you, it is not meant to be subsidy program. We have got plenty of that. But it is supposed to be an effective way of providing aid to people. And yet, we will still see a majority of the food and producers still will be U.S. Over half the funding that we are requesting will be used and purchased by and provided by shipping, U.S. shipping, and purchased from American farmers. But by giving us the ability to modernize, including the flexibility to procure food aid in the countries that are closest to the crisis, not only can we feed more people, but we can actually get to malnourished people 11 to 14 weeks earlier. And in the case of malnourishment, that can be the difference between life and death.

So the bottom line is that we think this change allows us to do more to help people to lift themselves out of hunger, and we think that is a good deal for the American taxpayer.

The final area I would mention is what the budget does for our most important resource, from my perspective as Secretary, and that is the men and women of the State Department and USAID. We have requested $4.4 billion to fortify our worldwide security protection and to improve our overseas infrastructure; $2.3 billion of this is set aside for constructing secure diplomatic facilities. And it is part of our commitment to implement in full the recommendations of the independent Accountability Review Board so that we can mitigate the potential of any future tragedy like the one we suffered last year in Benghazi.

So I would just say to everybody, you know, I am not going to come here and promise you we are not going to see another terrible incident. There is no way anybody can promise you that. We cannot have 100 percent security. We can do the best we can, and we can probably address some of that today. But we learned, you know, just 2 weeks ago I was in Afghanistan, and one of my control officers, Anne Smedinghoff, who was just laid to rest today, was just a superb, brilliant, bright, committed foreign service officer. She took part in a major women's event that we did there. And, you know, she wanted to make a difference in the world. And she was. She was delivering books in Urdu to kids among the millions of kids going to school because of what we have been able to do to change. And this was the type of thing that has been happening. There have been a thousand of those events. And it was just, you know, wrong moment, wrong time.

But Anne and Ambassador Chris Stevens represent the same kind of quality of individual that come to work in this endeavor, which is taking America's values and our interests and trying to share them with other people in the world and trying to open up opportunities for them and make the world a safer and better place.

My, you know, most important job is obviously to protect these folks, and I admire them, but we cannot do it, none of them believe we can do it by retreating from the world. We are the country that carries with us everywhere we go a sense of optimism, a sense of the possible. We are, I think, unique in all of history in what we

have done to help other people share opportunity and equality and freedom.

And so I will personally stand and we will stand in opposition to anybody who wants to replace hope with hate, and peace with war, and security with violence. That is what we believe, and those are the values of the State Department, USAID, and that is what brings this budget to you here today. So I look forward to a good dialogue. Thank you.

Ms. GRANGER. Thank you, Mr. Secretary.

[The information follows:]

SECRETARY OF STATE JOHN F. KERRY
TESTIMONY BEFORE THE HOUSE APPROPRIATIONS
FOREIGN OPERATIONS SUBCOMMITTEE
WASHINGTON, DC
WEDNESDAY, APRIL 17, 2013

Thank you Chairwoman Granger, Ranking Member Lowey.

Before I begin, I want to express my grief and anger over the terrible events that struck my home city of Boston earlier this week. I know just how resilient Bostonians are, and I've talked this week with friends and family still wrestling with what happened to children and loved ones. But Boston will not be intimidated by cowardly acts of wanton destruction. As President Obama said on Monday, we will not rest until we have gotten to the bottom of these bombings and the perpetrators have been brought to justice.

Turning to the business of the budget...I promise to remember the most important lessons I learned during my time in Congress. First, keep your remarks short so we can get to the questions.

And second, a lesson which has hit home particularly during my travels as Secretary: there really is no longer anything foreign about foreign policy.

As Senator Lindsey Graham has said very eloquently, America's investment in foreign policy is "national security insurance." He's right. If we can make the small smart investments up front, we can avoid much more costly conflicts and burdens down the road.

In the past few months, we have seen several developments that underscore the stakes for having a strong American presence in every part of the world. I've been in close contact with Congress, consulting on key developments at every step along the way—Representative Granger and I have spoken several times over the past few months.

American engagement was essential to the rapprochement between two of our close partners, Israel and Turkey—a positive step toward stability in a volatile region of the world.

This committee is well aware of the ongoing crisis in Syria. We have contributed nearly $385 million in humanitarian relief to provide essential resources to the Syrian people, including sending flour to bakeries in Aleppo and providing food and sanitation in Atmeh refugee camp. I expect we will have the chance to discuss Syria at length today.

Having just returned from Seoul, Beijing, and Tokyo where the North Korea nuclear issue took center stage, we are reminded once again that America is the guardian of global security. We will not turn our back on the prospect of peace, but neither will we hesitate to do what is needed to defend our allies and interests.

All this speaks to why this budget isn't just a collection of numbers; it's an illustration of our values and priorities. Budgets, deficits, debt—these are weighty decisions, and I know each of you is grappling with them carefully.

We are grappling with them at the State Department too, and I think our proposed budget is responsive to and reflective of our national economic reality. As part of the President's budget, it will help cut our deficit responsibly while investing in areas that attract economic growth, create good jobs for American workers, and secure our national interests.

Our 2014 budget request represents a six percent reduction from 2012 funding levels. We have examined our request with a steely-eyed determination to improve efficiency and economize wherever possible. We have implemented reforms that reduce costs without jeopardizing vital contributions. This budget delivers maximum bang for the minimal possible taxpayer buck–actually, for about one single penny out of the taxpayer dollar.

Let me give you a few examples of the kind of high-impact, low-cost work we do every day to make the world safer. With just over $3.5 million, the State Department's Bureau of Conflict and Stabilization Operations made key investments leading up to the recent elections in Kenya that helped prevent a repeat of the violence we saw five years ago.

Our anti-terrorism assistance funding has helped save the lives of hundreds of people in places like Pakistan, India, and Lebanon by training local law enforcement to detect and neutralize explosive devices.

Our 2014 budget request maintains our commitments to advancing peace, security, and stability in places where all three can be scarce commodities. I've already traveled three times as Secretary to the Middle East and North Africa—a region struggling to respond to its citizens' growing expectations for dignity and opportunity. Leaders there are making difficult decisions, and the United States cannot make those decisions for them, but we can do more to be a partner for all those on the side of freedom and democracy.

To that end, this budget includes a request for $580 million for the Middle East and North Africa Incentive Fund so that we can help give reformers the tools and resources they need to make the right decisions on behalf of their citizens. This fund allows us to say to people in the region: "If you're willing to take on the deep-rooted challenges and make the tough choices, we are here for you."

When we look at the threats that emanate from failed and potentially failing states, we must heed the lessons of our past. The U.S. homeland will not be secure if violent extremists bent on attacking us find a safe haven in places like the Sahel or the Maghreb. The threats we're dealing with in that part of the world range from al-Qaeda rebels to narcotraffickers. This budget sets aside $8.6 billion for our security, counterterrorism, and law-enforcement assistance. Compare that $8.6 billion to the more than $1 trillion we have spent fighting in Iraq and Afghanistan and I think you'll agree this is both a penny and pound-wise investment.

The simple fact is, the United States cannot be strong at home if we're not strong in the world. This is particularly true when it comes to our domestic economic renewal.

We need to do more to get out there and stoke our economic engines with the trade and business opportunities available in other countries. That's why the President is committed to successfully completing the Transatlantic Trade and Investment Partnership and the Trans-Pacific Partnership. We want to tap the growing markets of the Asia Pacific, which are vital to American economic recovery.

When it comes to shoring up our economic health and protecting our national security, our development work is one of our strongest assets. Let me be clear: development is not charity. It's an investment in a strong America and a free world. Eleven of our top 15 trading partners were once beneficiaries of U.S. foreign assistance. We can't afford to pull back. But that doesn't mean we won't work in better, smarter ways.

Let me highlight the reforms we are making with this budget to one of our most visible forms of assistance: U.S. Food Aid. By giving ourselves the flexibility to choose the most appropriate and efficient type of food assistance, the U.S. government will reach an estimated 2-4 million more people every year with the same discretionary funding. At the same time, we will save approximately $500 million in mandatory funding over the next decade, which we will use to reduce the deficit.

American growers and producers will still play a major role in our food assistance. Over half the funding we are requesting for emergency food aid must be used for the purchase and shipping of U.S. commodities overseas. But by giving us the ability to modernize, including the flexibility to also procure food aid in developing countries closer to crisis areas, not only can we feed more people, we can get food to malnourished people 11-14 weeks faster. Here's the bottom line: this change allows us to do more to help more people lift themselves out of hunger and poverty without spending any more money. That's a great deal for the American taxpayer.

The final area I want to mention is how this budget cares for our most valuable resource: the brave men and women of the State Department and USAID. We have requested $4.4 billion to fortify our worldwide security protection and improve our overseas infrastructure. $2.2 billion of this is set aside for constructing secure diplomatic facilities. This is part of our commitment to implement in full the recommendations of the independent Accountability Review Board so that we can mitigate the risk of future tragedies like the one we suffered last year in Benghazi.

This has been a hard year for our State Department family...a family that knows how risky the work we signed up for can be in a very dangerous world. Just two weeks ago in Afghanistan we lost a bright, committed Foreign Service officer—Anne Smedinghoff. I met her on my last visit, and earlier this week, I sat with her parents. She was just 25 years old. She wanted to make a difference in the lives of people she had never met, and she was willing to take risks to do it.

Anne and Ambassador Chris Stevens really were cut from the same cloth. That's what made them such outstanding members of the State Department family, and such outstanding Americans.

As Secretary, my most important job is to protect the men and women under my watch so they can carry out their national security mission. But we cannot do it by retreating from the world. We stand for optimism and opportunity and equality. And we stand in opposition to all those who would replace hope with hate. That's what we believe—and those are the values the State Department and USAID defend every day. Thank you.

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Ms. GRANGER. I am going to ask a question about the first issue I think you and I talked about after you took office—and that is Egypt, and I continue to be concerned. There was an attack from Sinai on Israel this morning. So I would like you to explain to the subcommittee the commitments that you have received in your talks with Egypt, and also, in those commitments, can you assure us that Egypt will uphold international obligations, including, of course, the peace treaty between Egypt and Israel? Please talk about Egypt's economy, and particularly the IMF agreement and if they are moving toward that, and their future economic health.

The parliamentary elections are coming, and are very important to Egypt's future. Will the Egyptian government protect the rights of all Egyptians? Egypt is the issue that I am asked most by the Members of Congress, so would you please address that?

Secretary KERRY. Yes, indeed, Madam Chairwoman. I can well understand why the Members of Congress are focused on Egypt. It is entirely appropriate to be, and we are, too, and I am intensely.

I cannot give you assurances about what this current administration is going to do because I think they are still sorting through that. And the die is not cast yet. That was the purpose of my visit and the purpose of the money which I am very grateful to you for releasing.

Qatar has put another $2 billion at the availability of Egypt just in the last week or so. Before that, they put about $4 billion or $5 billion. Libya has loaned them $2 billion in the last week or so, and the IMF has been negotiating for $4.8 billion. We promised a billion, and until I took the 190 that you kindly helped us to be able to provide, we did not provide them with a dime, not a dime. We gave them a promise, and a year later we had given them zero.

Now, you know, you do not buy your interests. That is not what foreign aid is about. But I tell you, if you are not helpful to people in their time of need, if you are not there part of the process, it is very, very difficult to have the kind of leverage to say a diverse, pluralistic politics is critical to us, when they say, what does it matter to you? You do not really care. You are not helping us. The other guys are helping us. Thank you. You know, we will do what we want to do.

So I think it is vital for the United States, given the fact that we have vital interests. One of our most important investments, frankly, was the Egyptian military that we invested in over 30 years, and God knows where Egypt would have been without the military, frankly, being wise and restrained and having responded to the relationships that they built training often here at Fort Benning or at one of our other bases and having relationships with younger military officers here. That allowed us during that crisis to literally be on the telephone, officer to officer, and say, hey, guys, you have got to be restrained. You know, do not use weapons. You have got to keep this peaceful.

And in the end, I met with Field Marshal Tantawi maybe four or five times, I cannot remember, during the transition. And, they did what they said they would do. They did not hold on to power like militaries in lots of countries. They held an election. They provided the people with the choice they demanded, and then they retreated to barracks. And you have not seen them or heard from

them in a negative way since then, despite disorder and problems in the country.

They are keeping the peace with Israel. They are helping us with security in the Sinai. They helped negotiate the Gaza agreement, and the Gaza agreement for the most part is holding. And the only, real exchange in Egypt today is exchange between mil to mil, and intel to intel between Israel and the military. So the military has been a worthwhile initiative in that regard. And like in the same way, I believe, which is the nature of this, President Morsi has said he intends to have a pluralistic, diverse government that is going to recognize the rights of all of the people.

Now, I cannot sit here. I am not going to come back in a year and say, geez, Mr. Secretary, you promised us this and that. I cannot promise you that. What I can tell you is they say they are going to do these things, but I have doubts, and so do you, because I do not know where the Brotherhood or their current Sharia commitments and other things are going to take them. What I do know is we have got to be at the table and we have got to be part of the effort to show all of the Egyptian people that we are not just there for one administration, or one president, or one thing, we are there for the people of the country. And that was the message that I took when I went there. I met with the opposition. I met with the business community. I met with civil society. And I met with the government.

What I do know is Egypt is going through a struggle. And Egypt is important for all of us because it represents one-quarter of the Arab world. It has been usually the foundation of global affairs with respect to that part of the world, a major player, and still is.

So I think it is important for us to recognize the fragility. I am confident that this Arab awakening is going to go through several incarnations. I cannot predict where it will go, but I can tell you this: If we are not engaged in it, I can positively predict it will go to places you do not want it to go.

Now, that is true in Syria today and it is true in other parts of the world. So I personally would go much farther than this budget allows us to go, and so would the President, but we recognize we cannot right now. And I think we have got to figure out how we are going to press America's interests even in difficult economic times. When you look at this overall budget, we are talking about one penny on every dollar that we spend. The return on this investment is the best return that we get.

Ms. GRANGER. My other question has to do with Mexico, and you said in your confirmation hearing that there are ways to enhance our efforts in Latin America. What specific changes do you think will be made resulting from the Mexican's presidents shift from combatting drug trafficking organizations to reduce violence.

This President's budget request proposes a 35 percent decrease in assistance for Mexico from 2012.

So at this level of funding can we successfully engage with the Mexican government so that we can strengthen our economy and relationship with Mexico when it is one of our leading trading partners?

Secretary KERRY. Thank you very much Madam Chairwoman. I think that, first of all, we are very hopeful that President Peña

Nieto, who is committed to continuing to work the Merida Initiative and the other efforts that we have in counternarcotics and so forth, recognizes that the relationship is changed because, frankly, there is a success story. I mean, the reason there is a reduction is we are going to focus less on equipment. We do not need to purchase equipment and be on the equipment side of the ledger. We are going to be on the training side of the ledger. And we want to try to come at this, I think, from a different place. So there is a feeling that the amount that is in the budget is, in fact, not a diminishment of the effort, but rather a refinement along the lines that we talked about. We are going to come at it slightly different. They would like to do that. We would like to do that. We think it is going to be a better way of coming at the cooperative effort that we have.

The other thing is, it is not going to be the government aid that is going to make the difference in Mexico. Mexico has got a pretty vibrant economy and is growing fast, and I think the richest person in the world resides in Mexico. They have got stuff happening. And so as long as we continue down the private sector component of our investment in trade, which we will, I think we can have a very exciting relationship.

POACHING

Ms. GRANGER. My last thing really is just a request and has to do with poaching, as I mentioned in my opening remarks. The wildlife trade with elephants, rhinos, and tigers is at a crisis level. I have been briefed several times just recently. We have put funding toward primarily education, and I would ask you to look at immediate assistance to law enforcement, because the networks that are poaching, the trade, the terrorism, and the funding is all connected. And so I would ask that you look at including unused military equipment that could be helpful in helping those rangers who are far outmanned and outgunned.

Secretary KERRY. Madam Chairwoman, I am really delighted to hear you say this, and I know it is an issue that some people in the country might say what are you focusing on, the elephants or the tigers or whatever it is that you are focusing on? But I cannot tell you how supportive I am of this. I raised this as chairman of the Foreign Relations Committee. We had a hearing. We had Iain Douglas-Hamilton come in and testify about what was happening to elephants, the poaching that is taking place.

There are species that are on the brink of being wiped out. And it is an economic issue, it is a security issue, and it is a conservation issue. And rangers are shot in some parts. I mean, this is sort of a war out there that people do not see. It is a war underneath the radar screen for a lot of people. But it is really vital to the long-term preservation, not only of the species, but ultimately of fighting criminal activity. There are certain parts of the world which, regrettably, and they are particularly some in Asia, that are just not cooperating in shutting down the trafficking in the fruits of this illegal trade, the ivory tusks or the Bengal tiger skins, and so forth, and the rhino horns. There are a whole series of mythologies and ethics that drive people towards this trade.

What you are missing is adequate law enforcement, and so it does take some money. It takes a commitment globally. And I think the United States can and should be a leader with respect to this. But then you are going to get into these budget choices. I mean, can you do this? Can you do that? How important is it not to see an entire species wiped out? I think it is, frankly, of vital interest to us on a generational basis. So I think we ought to try to work.

We are working with other countries. We are working with the regional wildlife enforcement networks. We are reaching out through every U.S. Government entity to try to get better enforcement. We raise it as an issue in various fora all over the world. This is not a sidebar issue, Madam Chairwoman, and I am glad that you raised it.

Ms. GRANGER. Thank you.

I will now call on members based on seniority of those present when the hearing was called to order. I want to remind members that you have, except for my friend Mrs. Lowey, 5 minutes for your questions, and that includes, Secretary, your responses.

Secretary KERRY. Okay. We are going to go into short mode here.

Ms. GRANGER. Yes, we are going to go into short mode, and we will watch the time carefully, because you can see by the attendance here people have a lot of questions.

Mrs. Lowey.

Mrs. LOWEY. Well, thank you, Madam Chair.

And welcome again, Secretary. Mr. Secretary, I just want to thank you again for your immediate efforts to try and reinvigorate the Palestinian-Israeli peace process. I have been in this Congress a long time, and I keep saying in my lifetime we have got to get it done. So I really wish you the very best in your efforts.

Now, given the time, I am going to throw out several questions.

Secretary KERRY. And I will try to answer them all.

Mrs. LOWEY. And then if you could just respond as you choose.

First of all, can you tell us about the specific steps that could be taken to create the conditions for peace—I know you are talking to all sides of this effort—so that direct negotiations between the parties can resume without any preconditions?

What is the administration doing to encourage the Palestinians to return to the negotiating table without preconditions?

What will be the effect of the resignation of Prime Minister Fayyad on the peace talks and on the PA's ability to continue state-building efforts?

Do you believe that President Abbas will continue efforts to achieve member status at specialized agencies of the U.N.? I understand that the next opportunities for the PA would be in May of this year at the World Health Organization, and then after that at the IAEA and the International Telecommunications Union. What is the Administration's plan to forestall the PA's attempts to gain recognition at such organizations?

And I am also interested, on the broader issue of Middle East peace, what is the Administration's position and what have you done in your travels to encourage other Arab nations to normalize relations with Israel? I want to thank you again, by the way, for your efforts in bringing Turkey and Israel together. And if you

could just discuss the whole picture and your efforts, your determination, and touch on most of those issues.

And maybe I will just throw in one more. There are points, I think it was 2011 when growth in the Palestinian economy and the West Bank reached about 11 percent. It has deteriorated, had an impact on Fayyad stepping down. So there are many people that say to me, why are you sending aid? Look, their economy is growing at 11 percent.

Secretary KERRY. Absolutely.

Mrs. LOWEY. Thank you very much.

Secretary KERRY. Well, thank you. This is the greatest challenge for a lot of different reasons. You would be amazed. We had a meeting with Prime Minister Lee the other day of Singapore. I do not think I am telling a tale out of school to say that he raised the peace issue. Prime Minister Abe of Japan raised the Middle East peace issue with me. The Chinese raised it. I mean, this is on everybody's mind.

Mrs. LOWEY. That is because they cannot think of any other answers for the other complex problems of the world, and this one, the answers are there if only we could go ahead with them.

Secretary KERRY. Actually, the answers are there for North Korea there, too, and we can talk about that in a little while. But look, I, after 28 years full on the Foreign Relations Committee being part of this issue, and tracking it, and traveling in the region, and building relationships, and getting to know people, I believe we could make peace. I really do believe it. I know there are a lot of people who do not. They think it is a pipe dream. There are too many forces arrayed against it. There are too much different politics choices. You can run the list of negativity. I believe it can be done. But it is a very complicated puzzle, obviously, with lots of moving parts. And you have to try to find a way to get them all moving in the same direction at same time, which is the test here.

The Arab Peace Initiative, you asked what are the Arab nations doing to normalize. I was recently in the Gulf and I met with all of the leaders in the entire region, and every single one of them are ready to move forward. They just had an Arab League meeting last week. They recommitted to the Arab Peace Initiative. They are sending a delegation of foreign ministers over here next week. I met yesterday with Foreign Minister Saud al-Faisal of Saudi Arabia, who was their sort of forerunner for this meeting. And they had just come from this meeting. They are anxious to try to see the peace achieved.

Why? Because the instability of the region does not help anybody. Because they understand that they want to focus on reforms in their country, change, the things they need to do to meet modernity. And the last thing everybody needs is this tearing away at the fabric of their possibilities because of the absence of peace.

So I believe that you could potentially, if you can get down the road here, you have 19 Arab nations and several Muslim countries ready to come to the table and make peace.

You asked about Abbas going to the U.N., which obviously would be very damaging to the possibility of getting something going. The answer is, yes, he will go to the U.N. if there is no movement and

ability to have a legitimate negotiation. And he will go out of his sense of frustration, whether you agree with it or not, whether Israel feels it is justified or not, he will do that. But if there is a legitimate process going forward, I believe he will not.

So you say how, do you forestall the PA from going to the U.N.? You forestall it by being engaged in the legitimate process that we and others know is, in fact, bona fide and trying to advance the ball.

Now, everybody understands sort of where people are here. There is huge, huge mistrust on both sides, and it is understandable because there has been a long record of failure. And everybody can always point a finger at who did what, shot what rocket, did this, did not, you know. You do not get anywhere. That is where you stay stuck. You have to step out of that and see what the potential is here to move forward.

And I believe that, you know, providing we have an Israel that is prepared to come forward and negotiate about all of the issues, including borders, that you can have a Palestinian Authority that could come forward and be prepared to negotiate about their issues, which obviously matter to both sides. I mean, there will be no peace agreement unless both sides' interests are met in those negotiations. And everybody knows what is paramount to both sides. For Israel, security, security, security. You have got to know that you are not turning the West Bank into another Gaza, or Lebanon. And for the Palestinians they have got to know they are going to have a State that is viable and contiguous and not a Swiss cheese. I mean, that is going to sort of the heart of it. And then there are obviously a lot of other issues. I am not trying to simplify it, and I have no illusions about the complexity, believe me.

But the hope is we can get people in a place where the essential issues are prepared to be talked about. I am not going to go into details about sort of where it is, if you do not mind. I believe everybody has approached this with the utmost seriousness. And Prime Minister Netanyahu is serious and has been very forthcoming and helpful in trying to frame some ideas. And I think that President Abbas is likewise trying to formulate in his mind. We all have homework to do, and we need to do this homework outside of the spotlight and outside of sort of leaks and daily discussions because then everybody begins to, you know, make presumptions and rip and tear at whatever is happening.

So we are going to do our homework and we will see where we are. And that is really where the process is at this moment in time. I do think that, you know, when you say what are we doing, the President has asked me to see what is possible and try to move this process along, and he has asked me to do it on a schedule that is not way out there, that is short-term, tight, everybody understands that, because time is critical. Time is not on anybody's side here.

So we are going to try and do everything we can to create the conditions for a legitimate process. And I have obviously thought a lot about how you try to make that different from the past. But, again, to make it different from the past we are going to start by not sharing with everybody and try and see if we can move this process along.

That is where we are right now. The first step was the step with, obviously, Turkey, and I am grateful to Prime Minister Netanyahu. He showed courage. He showed vision. He stood up. He thought it was the right thing to do and he did it, notwithstanding some people prepared to criticize for it. Now they have to complete the compensation component, return ambassadors, move to the next step, and so we go. And this will be a building-block process.

One last thing on this. I have asked, and he has agreed to take this on, Tony Blair is going to be for the quartet engaged in something they have been trying to do over the years, but the climate has not been right, which is move the economics of the Palestinian Authority forward in a more quantum leap. And in that effort we have the help of some private sector leaders in America, like Muhtar Kent of Coca-Cola and others. We are going to bring people to the table who have the ability to do transformative change and try to move the economy. And I want to emphasize, not as an alternative, not as a substitute, but totally as a complement, supplementary effort to try to change the quality of life and give confidence and give you the political space to move on the other parts of this.

Mrs. LOWEY. I will not bring up another question because there are so many other people waiting, but I just wanted to follow up on two points. You did not address Fayyad and the implications of his stepping down.

Secretary KERRY. I am sorry I did not, and it is very important.

Mrs. LOWEY. If you could also address that, I am very concerned. There have been many potential studies, and exposés of corruption within Fatah, but people have confidence in Fayyad.

Secretary KERRY. Congresswoman Lowey, you are absolutely correct.

Mrs. LOWEY. And the second point I would like you to expand upon, I hear, wherever I have been in the region, from many countries, how important this peace process is. However, as you well know, if they would read every day the UNDP report talking about the problems in the Arab world having to do with education, health care, unemployment, et cetera, not that this is not important, but they often use it as an excuse for their own lack of movement, as you well know, in those areas.

Secretary KERRY. Well, I agree. If you do not mind, let me quickly say on the last part of that. I have raised this with them. I raised this very directly, and it is going to be part of my discussion with them when they come here, is you cannot just talk about it and say you support it, you cannot say where is it and we are ready to be helpful. You have got to help get there. And part of that is to change what is talked about in some of the countries.

You know, in the street, you have got to prepare people for the potential of peace because you cannot play to the worst instincts of the street and then go out and have a meeting privately and have created the conditions which make the private meeting meaningful. So that is very important.

On the question of Salaam Fayyad, and obviously I wish he was not resigning because he is enormously capable. He is a friend. I have worked with him very closely. I have great admiration for him. And he has been really important to the creation of a level

of scrutiny, transparency, accountability, and accomplishment that has made a difference to the Palestinian Authority. He is not leaving immediately. He is there as a caretaker now. It is open-ended as to how long that could be. I will be meeting with President Abbas this Saturday when we go to, you know, when I am going back to the Middle East for meetings on Syria, and we will talk about this as we have previously.

The bottom line is this: The peace process and the future of the Palestinian Authority has to be bigger than one person. And it is. And this will be a test of who takes his place, if that finally is consummated, and sort of where are we going heading forward. I believe Salaam Fayyad is going to stay involved in the affairs of the Palestinian Authority in the West Bank. He is not disappearing. And I think we will have people to work with in order to be able to move forward.

I also believe that President Abbas is critical to this. He is their leader. He is the President. He is committed to this. And I think that he has the ability to help shape that replacement and the future, and we need to hope for the best here. I refuse to be deterred by this. And part of our agreement going forward with all of the parties has to be, look, do not let some rockets from Gaza or something that happens in the West Bank or whatever it is deter from moving forward, and that is what we have to do here. We have no choice.

Ms. GRANGER. Thank you.

Mrs. LOWEY. Thank you very much, and I know you have support from this committee for your efforts. Thank you.

Ms. GRANGER. Chairman Rogers.

Mr. ROGERS. Thank you, Madam Chairman.

From your experience, long experience in the Senate chairing the Foreign Affairs Committee, and most importantly now as Secretary, I know you appreciate, as do I, the need for a Deputy Secretary for Management and Resources. It is something that in my experience on this subcommittee, and the Commerce and Justice subcommittee, we worked together. I think it was 2001 when that position was created. Secretary Clinton was the first Secretary to fill the position. Of course that person left in February, and I do not think you have filled that position yet. I think it is very important because, as the Secretary, your mind is on policy matters primarily, and we need that person in the Department that is sort of the chief of staff, the operator of day-to-day operations to relieve you of those kinds of decisions and responsibilities.

Can you tell me when you might want to fill that spot, or maybe you have?

Secretary KERRY. I want to fill it immediately. But I have been really working hard to find the right person to recommend to the President, and ultimately it is the President's decision. And so we have several really terrific candidates, to be honest with you, and I expect a recommendation to be made, and if the President approves it, the President will make the nomination very, very shortly. I could not agree with you more; very important position, we need it filled.

Mr. ROGERS. Great. I thank you for that. Also, I do not think we have an Assistant Secretary for Legislative Affairs yet either.

Secretary KERRY. We do not, but, again, there are several positions unfilled where we have picked people and the President is poised to make the nominations, but we have to go through the normal, you know, vetting process, and that is happening. I am confident it will. We are all on the same page of trying to move this as rapidly as possible. And I feel confident that we are going to have a slew of people coming up here very, very quickly.

Mr. ROGERS. Good. It is important for both of those positions to be filled, from our point of view. We need somebody to——

Secretary KERRY. Could not agree with you more. But in fairness, we have got some terrific people there who are managing it now, and I think, you know, we want the position filled because it is better to do so, but I think we are on top of things.

Mr. ROGERS. Let me touch briefly with something very important to you that you mentioned in your opening statement, embassy security. The Continuing Resolution [CR] that we just passed included $2 billion over the fiscal 2012 enacted level for this purpose. The CR also directed the Secretary to submit a spend plan for those funds within 30 days of enactment, and then a report, within 90 days enactment, providing an assessment of security requirements at our facilities worldwide, and a comprehensive plan for addressing those requirements, and a detailed description of Embassy security improvements to be supported from the increased funds made available in the CR. Neither the spend plan, nor the report are not yet late. We still do not have the information that we really need to staff whatever the plans are. I wonder if we——

Secretary KERRY. This is on the embassy security, Mr. Chairman?

Mr. ROGERS. Yes.

Secretary KERRY. I did not want to interrupt you. I am sorry.

Mr. ROGERS. Well, no, I just wonder if you could tell us when we can have that plan?

Secretary KERRY. Well, let me just say that in front of me I have got the $2.6 billion, includes $1.6 billion in the worldwide security projects, $1.4 billion for capital security construction, $101 million for compound security, $130 million for maintenance cost sharing, $106 million for repair, improvement, major rehab, 679 for ongoing operations, 250 for overseas—I think it is laid out. I do not know why—okay, I am told it is coming forthwith.

But we do have it broken down, and obviously all of this has been done in direct response to the requirements of the ARB, where I think we are out of the 29 requirements—four of them were classified—we are at 26 that have been either closed or initiated completely. When I say initiated completely, language training, which was one of the recommendations, you know, we have started people but we are not going to see them for another year or so, or two.

Mr. ROGERS. Yes, I am just asking for the justifications. We just need the plan so we can do our work.

Secretary KERRY. We will get it to you as soon as possible.

Mr. ROGERS. We still do not have the spend plan and the justifications for fiscal 2014.

Secretary KERRY. Get them to you as soon as we can, Mr. Chairman.

Mr. ROGERS. That will help us as we prepare to mark up——

Secretary KERRY. Well, it is important for me. Yes, we need you to have that, and we will get that to you as soon as we can.

Mr. ROGERS. Mr. Secretary, I have no further questions for the record. I want to compliment you on your presentation here today. It has been very forceful and cogent, and we appreciate your being here.

Secretary KERRY. Thank you very much, sir. Thank you.

Ms. GRANGER. Thank you. And thank you for getting just exactly on time.

Mr. Schiff.

Mr. SCHIFF. Thank you, Madam Chair.

Mr. Secretary——

Secretary KERRY. It was the chairman's doing, not mine.

Mr. SCHIFF [continuing]. Thank you for being here, and we are fortunate to have such a capable Secretary of State. Your whole life has prepared you to be one of the very best and we are grateful for your service.

Secretary KERRY. Thank you.

Mr. SCHIFF. I have two questions. One is, what would you and the administration like Bashar Assad to know if he uses chemical weapons or if it can be proven that he already has? What should he know that the administration and the international community is prepared to do if that step is taken, or if it is demonstrated?

Secretary KERRY. Well, the President has made it clear, Congressman, that that is a game changer. And he can read between the lines, but that is a game changer, for us, for the Israelis, for the Europeans, for the world. I think the Russians have communicated to him and others that that becomes a game changer. And I think, you know, I do not want to go into details, but suffice it to say that the President has directed all contingencies to be planned for and options to be considered, and that work has been ongoing.

Mr. SCHIFF. There are many of us that have a great concern about this, obviously, and we want to make sure that the Assad regime gets the strongest message possible on this.

Secretary KERRY. Well, if I could convey to everybody on the committee in the context of Syria as you think about it, everybody knows that you have extremist elements out there. We now know with certainty that those extremist elements have affiliated themselves voluntarily with Al Qaeda, which sort of ratifies that they were AQI all the time anyway. And we know that there are a lot of chemical weapons there. I think everybody's worst nightmare would be extremists with chemical weapons. So this becomes much more serious, and I think everybody needs to think about it in that context.

Mr. SCHIFF. Secretary, on a very different topic but one very fresh from your recent trip, can you share with us how you think this cycle with North Korea can be changed? We go through this endless pantomime where they take bellicose action, reckless action, which Kim Jong Un has raised to a new level. It prompts negotiation. It prompts concession. It prompts agreement. It results ultimately in the breach and violation of agreement, followed by

more stoney silence until the next round of belligerence. How do we break this cycle and are we getting any help from China?

Secretary KERRY. I believe there is only one way to break the cycle that is palatable, and that is to partner with China in a completely different approach from any that it has taken part thus far. You know, I think it is important for everybody to consider the future with the best facts you can have and the best, you know, the most honest picture drawn, and here is what I think is an honest picture. We have gone through this process with the United States going through this, you know, charade of, you know, periodic negotiations with periodic commitments that are relentlessly broken. And we go back to the cycle again. But in the meantime, the nuclearization gets more further along the trail, more refined, and more dangerous.

I do not think we can afford, I think President Obama believes very strongly that this is, you know, this has got to change. And that is why his policy is not to engage in another round of, you know, food aid or some kind of, you know, bargain at the top. There has got to be a clarity to what will make this different?

Now, what will make it different? If Kim Jong Un believes that he can parry and thrust and be provocative and do whatever he wants without consequence in terms of his relationship with China, that is exactly what he chose to do, that is what his father chose to do. And they took it to a point where it sort of, you know, was provocative, but not so much so that the stability of the peninsula was really completely thrown up for grabs.

I think what is different this time is that Kim Jong Un has done this quite differently from both his father and grandfather and has taken it to a point where the peninsula is kind of rattling in a way that I think the Chinese do not like. The Chinese care enormously, for all the obvious reasons, as everybody should, about stability, and the North Koreans are now making things unstable; not only that, but inviting greater American presence militarily in the region and outside the region in ways that they also do not necessarily appreciate.

So it seems to me that if the Chinese will join with the United States in an approach to the North Koreans that makes it clear that we are prepared to do an agreement, we are prepared to, you know, create an entirely new relationship, we are prepared to welcome them back in the community of nations if they will denuclearize, but China has to make it clear to them that it matters to China. And much of the evidence indicates that Kim Jong Un's current calculation is that he can do things and get away with it, that China will not crack down.

So, you know, I just think that is an honest assessment and a straightforward statement of the realities of the region. And I do not think we have room not to deal with honest assessments of the region because it is too dangerous otherwise.

Ms. GRANGER. Thank you.

Mr. Wolf.

Mr. WOLF. Thank you.

Welcome, Mr. Secretary. I agree with the chairman. Very impressive testimony today. And I have two questions, I will combine them so I will not have to come back. Just briefly, on the Middle

East, you should take a look at Psalm 122 in the Bible, it says, pray for the peace of Jerusalem.

Congressman Tony Hall and Cardinal McCarrick had a program that was stopped where they were going over and meeting in Israel with five rabbis, five imams, and five leaders of the Christian Church. Faith and religion is an element of the peace process. Economics are important, boundaries are important, but I would urge you to take a look at the program that Cardinal McCarrick and Congressman Hall had, because I think that would add another dimension.

SUDAN

The two questions that I have, and I will just combine them, and I know you know a lot about Sudan, and you may not remember that about 2 years ago I wrote you a letter thanking you for the effort and the time that you have put in for Sudan. Princeton Lyman has left. There is a need for a special envoy. I sent you a letter urging, recommending former Senator Feingold for that position. You know, he was chairman of the African Affairs Subcommittee. He knows you. He supported President Obama. He is well thought of out in the region. But there has been a vacancy now for 5 weeks. And I think the office is beginning to have a little bit of concern. So you really need to appoint someone of some stature, similar to the model of Senator John Danforth, who President Bush appointed to work on the North-South conflict.

The other issue I want to raise is the plight of religious minorities in the Middle East. Anna Eshoo and I put in a bill last year, which passed the House 402 to 20, to create a special envoy to advocate for Christians and other religious minorities in the Middle East. In Egypt the Coptic Christians are suffering. I was there a couple of months ago. They are pretty concerned. In Iraq we have seen the Christian community go from 1.5 million down to 400,000 or 500,000. In Pakistan, the Ahmadis are living in fear. They cannot vote. Shahbaz Bhatti was assassinated. As you know, he was a member of the cabinet, and a Catholic in Pakistan.

We had a hearing the other day where the Baha'i community testified. The Baha'i Seven, the leadership of the community, are in prison in Iran. I was out in the region a month and a half ago. We had people come out of Damascus to talk to us. The Christian community there is very, very concerned. Every Democrat in the House voted for the bill last year. The U.S. Conference of Catholic Bishops, the Southern Baptist Convention, the Simon Wiesenthal Center, the Becket Fund, the Ahmadi community, the Baha'i community all supported it. I would appreciate if you would not make us work this thing through committees again this year. We need a special envoy now—one person that will advocate in the State Department for these vulnerable communities.

In fact, I pulled out numbers when I got back from Egypt last month. In 1948 the Jewish population of Iraq was 150,000. They are now down to less than 10. In the same time in Egypt, the Jewish population was anywhere from 80,000 to 100,000. Now they are down to about 50. Many in the region feel that the same fate awaits the Christian community. You know, first the Saturday people, and then the Sunday people.

I plead with you, I ask you, will you please consider appointing a special envoy, somebody that you know who can advocate for these groups—whether it be the Assyrian Chaldean community, the Coptic Christian community, the Baha'is, or the Ahmadis. I was the author of the International Religious Freedom Act. Ambassador Suzan Johnson Cook is a great person, but she covers the world. The Middle East is facing unique challenges at this point in history. Will you consider, without us pushing this thing and taking a year to move it through the legislative process, to appoint a special envoy to advocate for these groups?

Secretary KERRY. Congressman, I will absolutely consider it. I want to find the best way to deal with this challenge. And I agree with you, it is a major challenge, and I am very concerned about it. I am also very invested in it. I met a number of years ago with King Abdullah of Saudi Arabia, who we spent a long time talking about this very issue, about religious tolerance and moderation and sort of the true definition of Islam, if you will. And I think it is a major challenge for all of us. I think that it is really a question of whether or not moderates in that region are going to be able to speak out and speak for what is the real Islam, rather than the Islam that gets hijacked by people and taken to the extremes.

And that was King Abdullah's concern. He started an interfaith effort, worked with Prince Ghazi of Jordan and others. And I think we need to find a way to try to maximize this. I do not know if the special envoy is the way to maximize it or whether we maximize it through some of these other approaches that I am thinking about or through a high-level secretary, deputy secretary, et cetera, raising the profile of it in our policies more directly.

But you are absolutely correct. I mean, this is central to what we are going to be talking about in Istanbul this weekend on Syria, is this whole effort to make sure that the promise of Syria is going to be pluralistic and that it is going to respect all of the minorities, Alawi included, which we think is part of the way in which you can move people to accelerate the departure of Assad. Right now the Alawi, who are about 11 to 13 percent of the country, believe they are fighting for their life because it is a sectarian struggle and they think that they will get wiped out if Assad goes. So they are seeing their preservation in their resistance.

If on the other hand we can get a message that, you know, everybody is going to be protected, included, and represented in the government, and the institutions of government will remain, hopefully you open up. So the question is what is the best way to try to deal with this challenge, which is not just the challenge of Coptics or Christians in Iraq, et cetera, it is the challenge of the whole region. And it is also linked—I say this to you all respectfully—to the question of what kind of engagement we are going to have in this region, the Maghreb, the Sahel, the Saudi peninsula.

This is the place where, what, 60 percent of Egypt is under the age of 30; 50 percent is under the age of 21; 40 percent is under the age of 18. That is true in almost every one of these countries. You have got these burgeoning youth populations who have no jobs, nowhere to go, and not sufficient education. And the question is, you know, do we inherit this problem because the only place they have to go is sort of to this, you know, usurped and hijacked defini-

tion of what life is about, or are we going to help put an alternative there? I think this is the great challenge of our time, frankly, and I think we have got to figure out how we are going to respond to it.

Mr. WOLF. If you will look at it—and do not answer because I do not want to go over my time—Sudan. You do not have to get an answer.

Secretary KERRY. Oh, I am sorry.

Mr. WOLF. But we need a special envoy. We really need——

Secretary KERRY. We will have a special envoy. I absolutely intend to appoint a special envoy. I think the world of Russ Feingold. I have actually talked to him about some stuff already.

Mr. WOLF. I do not know that he wants it, but somebody like him, or him, I think would be good.

Secretary KERRY. Well, now you are hedging on me.

Mr. WOLF. No, I want him to be it. I want him, but he did not ask me to do that. I think he has that—and you know him and he supports the President.

Secretary KERRY. The bottom line is, we will have a special envoy as fast as we can get one.

Ms. GRANGER. Thank you.

Ms. Lee.

Ms. LEE. Thank you very much.

Good afternoon, Secretary. Congratulations once again on your confirmation. Thank you for being here. And also just let me say, my congressional district, myself, we send our thoughts and prayers to the people of Massachusetts and Boston, and any assistance that we can provide, you know, all of us on this committee, we are there for you. Thank you.

Let me ask you a couple of questions that we worked together actually on over the years, I mean, many years, when you were in the Senate. It was a real privilege working with you. And I want to say also, the Congressional Black Caucus was very thankful for your partnership on all of our priorities as it related to foreign policy.

Of course, lifting the travel ban was a major, major effort where we could have an International AIDS Conference here last year.

Secretary KERRY. Yes, very exciting.

Ms. LEE. And it was so successful, it was so successful. So let me ask you, with regard to PEPFAR.

First of all, of course in May we will be celebrating the 10th anniversary of the signing of the PEPFAR legislation. As you know, it has been one of the most revolutionary and effective foreign aid efforts of all times, and again, you were an instrumental leader in fighting HIV and AIDS over the years. So while I was pleased to see the support of the Global Fund in the budget, I am concerned about the President's continued proposed reductions for bilateral HIV-AIDS funding through the PEPFAR program. I think this is now the third year that the President has proposed cutting the PEPFAR budget just as we are beginning to see some real successes.

And so I want to first commend PEPFAR for finding efficiencies and bringing down the price of drugs. This is very important. But how can these proposed cuts—and these are on top of sequester—

how can they not affect programs and the goals laid out in the AIDS-free generation blueprint?

Secondly, I am following very closely the creation of the new Office for Global Health Diplomacy, and I am pleased that it is being led by Ambassador Goosby, who is my constituent and doing a phenomenal job as U.S. Global AIDS Coordinator. And so I would like to know what are the goals of this office.

And finally, just with regard to Haiti. You know, many of us are concerned about the lack of tangible results for vulnerable communities in Haiti after billions were pledged in the wake of the 2010 tragic earthquake. We have been calling for greater transparency and accountability. And of course, I have legislation that I am introducing once again to call on the State Department to really let us know how this money has been spent.

And so I wanted to know if there was any way administratively—because, you know, sometimes this legislative process can be very cumbersome—but if you can administratively figure out a way to let us know how the money is being spent. It is my understanding that just over 50 percent of the funds made available for Haiti, reconstruction through fiscal year 2012, have been disbursed, only 50 percent. And given the overwhelming needs of the country, why haven't we moved faster, or why haven't they moved faster? Thank you once again for being here. Good to see you.

Secretary KERRY. On Haiti, let me begin with Haiti. I think, as you know, the administration put a lot of effort into Haiti in the last 4 years, a lot of money, a lot of effort. The Clinton Global Initiative, President Clinton himself, others, and Secretary Clinton put enormous focus on it. Chief of Staff Cheryl Mills personally was shepherding it is, et cetera. Still is helping us, actually. She is doing that part-time right now. And, you know, the great complication that I have observed—I am not doing a general policy thing here—but I think is just capacity to absorb, governance, combined with sort of sustainability issues that are very challenging there. And also a lack of coordinated approach. I think more than anything, if I have to find a thing to say to you has been a challenge, it is how to coordinate. It is not lack of effort. It is just very, very difficult. That has been the hardest thing to achieve.

We are going to stay at it. You know, it is vital to us in lots of ways. I represented, I had the privilege of representing a huge Haitian community up in Boston. I know after the earthquake we gathered that very night and we talked about how we would try to make this go-around different in terms of the aid and focus and attention.

You know, you have jogged my needs on this, and I would probably need to get the team together and sort of take stock of exactly what our broader judgment is, comparing it with all the agencies involved, and maybe get back to you even further. That is my quick take on it.

[CLERKS NOTE.—State Department provided information to the office.]

Ms. LEE. Thank you.

Secretary KERRY. On PEPFAR, if I could just say very quickly, you know, we are very excited about the money that the President got into PEPFAR and the Global Fund, and we are going to work

through USAID in some things we are going to do. I think we will be able to have the full amount of money applied by doing some reforms in some of the contracting the way we are doing things. So the money will be there actually for the delivery to patients by making it cost us less to be able to do. And I am probably sending shutters down some people's spines by saying that right now, but I think that can be done.

But the President funded the Global Fund enormously, and I think people are very happy with the money he has put on the table for this. And we really are looking at the possibility of an AIDS-free generation as a result of what America has done here. It is remarkable work, and a lot of people deserve credit for it.

Ms. GRANGER. Mr. Crenshaw.

Mr. CRENSHAW. Thank you, Madam Chairman.

And welcome to you, sir, and again, thank you for all you are doing. I wanted to go back just briefly, we talked about Prime Minister Fayyad, and I know you said that the solution to most problems is bigger than any one person, and I think we all agree with that. But I just remember maybe 10 years ago as a new Member of Congress traveling to Ramallah and walking up four flights of stairs and going into a little nondescript room and here is the brand new finance minister. And he talked about anticorruption. He talked about transparency. He talked about governments. And this is when Arafat was still around. And I thought to myself, I wonder how long this guy is going to last?

Well, 10 years later, as you know, he has been relentless in not only growing the capacity to govern there, but also deal with the assistance that we have given them. Recognizing it is bigger than just him, can you comment on the impact that his departure is going to have internally in terms of their ability to build the capacity for governance?

And then I am sure that there is a question as to who takes his place as he was so vital to some of the foreign assistance that we dealt with. Will there be any movement to be sure that his successor is someone that we can work with and trust and have confidence in?

Secretary KERRY. Well, it is a great question, Congressman, and the simple answer to it is, it needs to be somebody we have confidence in and trust. And when I meet with President Abbas, obviously, I will, you know, to the degree it is appropriate without interfering and being overbearing, but I have to emphasize that on behalf of all of the interested parties. And I think he understands it is critical.

Now, you know, there are a lot of very smart Palestinian businessmen and capable people there. I know some people in the West Bank who have enormous capacity. It is a question of the choices that get made, not the question of, you know, whether or not it can happen. And so until we know, we will not know.

Mr. CRENSHAW. Well, thank you, sir, and I appreciate that because I know how vital he was.

One last question about Syria, and the conflict that has caused all of the refugees—I think over a million refugees have fled to some of the neighboring countries—like Jordan. And they are struggling to be a host to these displaced persons, particularly Jor-

dan. I know the King is coming next week. I know the refugee problem has caused major strains on his kingdom. There are other problems as well. I know when the President was there in March he pledged some additional assistance, and I wanted you to just maybe talk briefly about the situation in Jordan and what additional measures that we are taking to help them deal with this growing number of refugees to make sure that we help ensure future stability, because you know how important they are to our existence.

Secretary KERRY. Very, very much so, Congressman. You are absolutely on target. King Abdullah has been enormously constructive in so many ways in terms of the region, the peace process, the support for the Palestinian Authority, the work with Israel, the security, all of the above. And we were just with him. President Obama visited with him when we were there. He was very graphic in his description of the challenge to Jordan of the refugees. They have, I think, four camps now, three or four camps. One of the camps is the fourth-largest city in Jordan today.

Mr. CRENSHAW. Wow.

Secretary KERRY. And they are finding that it is obviously, you know, having an impact on their society because these people want to find jobs. Some of them are working, some are not. There are just huge challenges of that kind of city in a tent in the desert.

So you need to—we need to be helpful. We have provided $385 million of support for the humanitarian crisis. We are helping to get other donors who have pledged to actually put money in.

Secretary KERRY. But what is guiding us right now as we think about this a little bit is the fact that this is kind of—this is endless in a sense. There are a lot of people displaced within Syria, you have this enormous population in Jordan, you have a huge population in Lebanon, but Lebanon you don't have camps, they are just spread out, and so you might have a 20 percent increase of the population of Lebanon and then you have a lot of people in Turkey. If Assad continues to simply shell and bomb and destroy his country in the interest of staying in power, there are going to be more refugees and the crisis is going to grow.

So a lot of countries are concerned that, they are concerned about the impact on the region and the destruction of the state ultimately, which is one of the things we need to think about as we contemplate sort of what is the road ahead here.

Here is the formula. In Geneva last year the international community, Russians included and U.S. and others, agreed to what was called the Geneva Communique. Under the Geneva Communique a transitional government would be established, the leaders of which would be granted their authority by the mutual consent of both parties; that means by the Syrian opposition and by the Assad regime. Obviously since the term "mutual consent" is essential and underlined in this agreement, the SOC is never going to agree to have Assad himself doing that, and it is supposed to be accompanied by the full transfer of executive authority. So the problem is the Russians are now saying, I think even today Foreign Minister Lavrov had a statement that why are you insisting Assad has to leave, he doesn't have to be up front, departure, et cetera. But the Geneva Communique, which the Russians signed on to,

said transitional government by mutual consent. Now whether we can get people to have a discussion about how you get to that transitional government in some way is one of the things we need to figure out and talk about when we all get together and see if there isn't some peaceful route that can be put together.

The problem is right now Assad's calculation is I am getting help from Iran, I am getting help from Hezbollah, I've got Russians supplies coming in now, I am not going to give up anything. And the Syrian opposition on the other hand thinks they are making enough progress that they don't necessarily want to negotiate, which is why Moaz Khatib ran into such a problem when he suggested that they should. So you don't have an ingredient for a negotiation. Then the question is how do you get that ingredient, how do you get that ingredient? And a lot of people believe it is by accelerating Assad's calculation that things are not quite what he thinks they are. Others have other ideas about how you do it. But the problem is this, if you just leave it to get worse and worse and worse, then the potential of extremists getting stronger and stronger and going after chemical weapons gets stronger, the enclave result of the state becomes a greater possibility and you could have a prolonged civil disorder. It becomes highly sectarian and unbelievably destabilizing.

So folks, this is a very twisted journey through options which opts from not so great to worse, and that is kind of where we are.

Mr. CRENSHAW. Thank you. Thank you, Madam Chair.

Ms. GRANGER. Ms. Wasserman Schultz.

Ms. WASSERMAN SCHULTZ. Thank you, Madam Chair. Mr. Secretary, welcome and congratulations, and also my thoughts are with the people of Boston, my husband's family is from—all of his family is from there.

Secretary KERRY. You have got a lot of friends up there.

Ms. WASSERMAN SCHULTZ. I do. I spend a lot of time there myself, so we are all thinking about you.

I am going to ask my questions in rapid succession so much of my 5 minutes is left for you to respond. I want to just have you touch on the MENA IF because one of the things you said in May of 2012 as a Senator was that this is something that has been percolating a long time on the Hill and in the administration and it is really a no-brainer. We are witnessing a period of historic change in the Middle East and it is impossible to predict what will happen next month let alone next year, which is why the State Department should have the flexibility to deal with unforeseen contingencies.

Of course we have to balance the administration's need for flexibility with our need as a legislative body to make sure that we know where funds are being appropriated and how they are being spent. So regarding that incentive fund could you explain your vision for these programs and what we can expect from them moving forward?

Now, Secretary Clinton made the protection of women and girls and the empowerment of women and girls a priority, and just because the gender of the Secretary of State has changed doesn't mean that that is not still going to be a priority I know. So on child marriage if you could talk about what role the State Department is going to play in addressing the root causes of child marriage, be-

cause we have seen in some countries that simply outlawing child marriage hasn't really been effective.

On human trafficking, there is a huge problem in south Florida. Considering that a large number of victims in the United States are trafficked here from other regions of the world, how are you partnering with other countries and international organizations to prevent human trafficking?

And lastly and a little bit on cybersecurity issues, can you address how the State Department and our broader government can assist in coordinating a global response to cyber enabled crimes, particularly the introduction of child sex tourists because that has become a burgeoning problem?

And if you could also briefly give us the administration's position on the outcome of the election in Venezuela.

Ms. GRANGER. Some of those you may have to answer in writing. We are coming up with votes at 4:20.

Secretary KERRY. Oh, okay.

Ms. WASSERMAN SCHULTZ. If you could do the Venezuela question out loud.

Secretary KERRY. Venezuela is very troubling. We supported the notion that there should have been a recount. There is evidence of—there are certainly questions, but even when you have a race that is just that close, as you know, you ought to have a recount. And so we support the notion. And what our response will be——

Ms. WASSERMAN SCHULTZ. I have got a reasonable familiarity with close elections given where I am from.

Secretary KERRY. What our response will be we will have to wait and see.

On MENA I just say to the members of the committee, I think MENA goes to the heart of sort of how we are going to be engaged or not engaged with this awakening that is taking place. You can see what the French felt they had to do in Mali, and you can see the challenge—and they are all different. The challenge of Libya is not Tunisia, Tunisia is not Egypt and none of them are the same, but they are all huge challenges in which we ought to be engaged. And the reason we need to be engaged is that to some degree the message of extremism is moving faster in some places than the message of democracy and freedom and rule of law and opportunity, and so forth, and so we have to decide. I mean if you are going to have to pick up the battle in Yemen or in Mali or somewhere else because that is where al Qaeda has moved, we have got to find an alternative to SEAL teams and drones and military expeditions. Now what is it going to be? This is a pretty simple straightforward question. Historically after World War II we proved what it was, we created a new world order. We put together the institutions around which the world was ready or most of the world or a lot of the world was ready to organize itself, obviously not everybody and so we had a Cold War. But for those who did organize themselves that way, look at what they have today. You know, you have these 11 out of 15 countries that are giving aid to other countries that are democracies. They have elections and strong economies, they are free.

So I think we have to decide what is important to us now and how do we do a better job of responding to this challenge of in-

creasing radicalism, extremism, terror, lack of choice that is crowding out what we believe in and what we have fought so hard for for so long in so many places.

To me MENA is a tiny $585 million, a tiny down payment on what we ought to be doing. We were willing to put $100 billion a year into Afghanistan. I mean just put 20 billion, 10 billion into these initiatives in that region, not 580 million and you are going to make a world of difference. I think that MENA is sort of a downpayment on a concept that we can actually help people to make a better set of choices and to provide alternatives of governance and capacity building so that those countries move in a different direction. And to me that is a worthwhile investment when you compare it against the loss of life and the trillion dollars we spend because we have to send an expeditionary force instead.

With respect to women and girls, I look forward to proving to the world that a male Secretary of State can live up to the standards of the other gender. And, you know, when I was in Afghanistan I can't tell you how exciting this event was we did, ironically with Anne Smedinghoff as one of the control officers who helped put it together. It just was unbelievably inspiring to listen to 10 women, Afghan women, each tell the story of how they had started, not one business but maybe five businesses, 10 businesses, one woman owned a trucking company that was engaged in the region now. But how difficult it was and even the threats they sometimes faced and the difficulties they faced in trying to stay at it.

When we began this effort in Afghanistan there were about a million kids in school, they were all boys. Now there is something like, I think it is 7 million, somewhere in the vicinity of 7 million kids in school, almost half of whom are girls. It is an incredible transformation and we have to think about why that is important and how it is important. There are parts of the world where women are bargained, and traded, and bought and sold into slavery. And incidentally not just women, children in some places. So I think that, you know, the way it is going to change is not overnight, it is not going to be one policy, it is not going to be one program, but all of this that we are talking about in the context of our foreign policy helps to change it, standing up for human rights, fight for change in these countries, supporting democracy and people who want it.

That is why I believe it is so important we don't retreat, because if we do retreat we are going to abandon all of those values and interests and the protection of those young women and the possibility for those other women to people who only see hate and narrowness and want to stand still rather than move forward to the future. That is why we are going to stay at it.

Ms. WASSERMAN SCHULTZ. Thank you.

Ms. GRANGER. Mr. Dent.

Mr. DENT. Thank you, Madam Chair. Good afternoon, Mr. Secretary. Just a couple things. First I want to commend you and the administration for the work on the Israel-Turkey rapprochement, helping to reconstruct that relationship among two very good friends and allies to the United States.

Now that Israel has apologized what is the next step particularly on the part of Turks; where does this go from here? That is the first question.

Second question, time permitting, Egypt, you mentioned during your opening remarks that something to the effect that we need to be there in their time of need if we want to help shape events and have influence there in the future. And I agree with that statement. Does that same statement apply to Syria? I think we really—many would argue we really have not been there with the Syrian opposition to the extent that we should have been early enough. And I am concerned that we are not going to be in a position to help shape events in Syria to the extent that I think many of us would like given the al Qaeda influence that we are witnessing there.

Those are my two questions. I have another one time permitting.

Secretary KERRY. Well, I will get right at it quickly and try to give you the time.

On Israel the next step is a team will be visiting Turkey next week to negotiate and hopefully, I hope, complete the compensation component for the victims. And once the compensation component is completed the next step will be the exchange of ambassadors and the renewal of normal relations. My hope is the discussions I have had with Prime Minister Erdogan and Foreign Minister Davutoglu indicate to me that I think hopefully that can be done relatively quickly and then move to the normal relationship and see the ways in which the Turks may be able to be supportive of the peace process.

Mr. DENT. On the question of Egypt.

Secretary KERRY. On the question of Egypt let me emphasize to everybody on the committee, when I say shape events, there may be no guarantee. That is not always a given, but it is certainly a given if you are not in the game you are not in the game. But I don't think anybody knows for certain what choices the current government in Egypt is going to make. It has been a long struggle to get them to move to the IMF. They have received some emergency funding from Qatar and some emergency funding from Libya. Libya actually was a deal for the release of a prisoner, some prisoners. So we will have to see where they come out. And that will determine whether or not you go to what more you can do in fact to shape it. I think it is yet to be determined what choices the current government is going to make. I can't predict completely.

Mr. DENT. My main question would be with respect to Syria. I understand what we are doing in Egypt.

Secretary KERRY. With respect to Syria I believe that we are fully engaged. I have had personal conversations with the Syrian opposition, they came to London, they expressed gratitude for the things that we had done. Do they want more? The answer is yes. Are there those who are somewhat militant about that and feel we haven't done enough? Yes. Are there some concerns that in post-Syria we won't play as importantly as others conceivably? The answer is yes, currently. But I do think that we have done a lot and more than meets the eye and I think those that I talked to were very grateful for the help that President Obama has made available to them.

Mr. DENT. Thank you. I would like to just quickly move and change gears and talk about the President's intention to seek a way to resume U.S. financial support for UNESCO. As you know, in October of 2011 UNESCO granted full membership to the Palestinians. Consequently the U.S. withheld its voluntary and assessed contributions to UNESCO as prescribed by two separate U.S. laws. The 2014 budget proposal seeks to resume funding to UNESCO. In addition to contradicting our current laws, this request runs counter to our foreign policy objective of supporting an independent and sovereign Palestinian state only through direct negotiation between Israelis and Palestinians.

Would this suggested change in policy weaken our position among Palestinians as well as other U.N. agencies while simultaneously rewarding them from walking away from direct negotiations with Israel?

Secretary KERRY. Actually what it represents is a belief by the administration, a very strong belief by the administration, that the current policy is very self-defeating and counter to American interests. When we are forced to pull out of a particular organization at the U.N., we cease to be able to defend Israel in that organization, we cease to be able to speak for our own interests, and we actually wind up isolating ourselves because of something that people that we want to admonish chose to do. It is a self-defeating, you know, counterproductive argument. We are far better off being at the table, being able to fight for our friend and ally Israel, being able to argue for our interests than saying if you the person we think is the bad guy do something bad to us we are going to punish ourselves, we are getting out of here and we are not going to be part of the debate anymore. We don't hurt anyone. They say, fine, they are in, they couldn't care less. So it just doesn't make sense for us and that is a reflection of our hope that we can create a debate here and move us in a different direction so that we are not shooting ourselves in the foot. We think we can do better for Israel, better for ourselves by staying at the table and fighting, and actually probably leverage more effectively getting the Authority to come to the table in a way that we would like to and make some progress.

Mr. DENT. Thank you, I see my time has expired.

Ms. GRANGER. Thank you.

Mr. Cuellar.

Mr. CUELLAR. Thank you, Madam Chair. And I want to follow up on the questions that Madam Chair had on Mexico. I live on the border, I get to go and visit folks up there. I just got off the phone with Secretario Osorio Chong, who is here in Washington as you know. I met with the Secretary of Defense for about an hour, talked to him. They give me a little different perspective, Mr. Secretary, with all due respect, from what you and probably your staff have given. As an example you can't—I am sure you said that joking around but Carlos Slim doesn't fund the Mexican Government, he is the richest man but he doesn't fund the Mexican Government. But we have a great opportunity with President Peña Nieto right now. He has done labor reform quickly, he has done education reform, the House just passed a telecommunication bill. Once they get that done they are going to do also tax reform, they are about

to go into energy reform in Mexico. So we got a President who I think can transform the situation.

I agree with the Madam Chair and I also show some concern about the cuts that were made for Plan Mérida, and I understand that buying equipment is one thing, but the training of police, prosecutors, judges, prison system, that takes quite a while. Let me give you an example. Nuevo Laredo, which is right across from the City of Laredo where I live, they handle about 40 percent of all the trade between the U.S. and Mexico, comes through my City of Laredo and of course on the Mexican side is Nuevo Laredo. They haven't had a police force for many years and they have got more than a quarter of a million people. They haven't trained any prosecutors, judges in that particular area. In fact if you look at it, Mr. Secretary, Honduras' murder rate, which is one of the highest countries in the world, has about 91 per 100,000. Nuevo Laredo probably has somewhere between 200 or 300 murders per 100,000 residents. So you got a lot of the cities right now that have no police because Secretary Chong told me we rather not have those police there than to pay them and then have them work against us.

What I would ask you just like we told the former Secretary, you all need to have a little bit more speed and urgency in this. As you know, Plan Merida has taken a little time—as you know, there was a time about how long it took you all to—and I understand, I spoke to Roberta Jacobson, great lady. But there has to be a little bit more because I will be happy to walk with you the streets of Nuevo Laredo, not the streets of Laredo but the streets of Nuevo Laredo, and your security people will tell you not to show up there. So I would ask you to really take advantage of this transformation that Mexico is having right now to address some of these issues.

Secretary KERRY. Tell me what you think. This is very interesting and I appreciate your comments and observations on it. What do you think would make more difference, because some of this is in response to what President Pena Nieto would like to do differently?

Mr. CUELLAR. Right.

Secretary KERRY. So what do you think we ought to be doing?

Mr. CUELLAR. Well, certainly I think we need to push their training a lot faster. I mean, when there is municipalities with no training right now, I mean literally with no policemen, how can you have a city like Nuevo Laredo with not a single police?

Secretary KERRY. But that is the purpose of this, is to do the training.

Mr. CUELLAR. Yes, but how long will it take for us to get it done?

Secretary KERRY. I would assume they will try to do it as rapidly as they can turn out qualified people to do the job. I mean I will check on the time frames. But that was the whole purpose was to try to train people because we all know there have been problems with corruption and internal issues, and so you really got to do a careful job of recruiting and vetting and training.

Mr. CUELLAR. Right, and I understand all that. And then finally, my time is about up, but I would ask you also to talk to the Secretary of Defense as President Obama heads over to Mexico May 2nd and May 3rd, is he wants to put an emphasis on the southern border of Mexico. And he has ideas and I don't want to go into dis-

cussions, but I would ask you to spend time with him and spend time with Osorio Chong because they have some ideas on how they can speed up some of these things that need to be done.

Secretary KERRY. Okay.

Mr. CUELLAR. The more work that is done in the southern border of Mexico, the better for us in the southern border of the United States. Mr. Secretary, I appreciate everything and I am very happy that you are here.

Secretary KERRY. But let me just say to you that happenstance I am meeting with Foreign Minister Meade on Friday. So I will meet with the Foreign Minister and I will raise these issues and we will go at it.

Mr. CUELLAR. Thank you so much for your time.

Ms. GRANGER. Thank you.

Mr. Diaz-Balart.

Mr. DIAZ-BALART. Thank you, Madam Chairman. Mr. Secretary, how are you, sir?

Secretary KERRY. How are you?

Mr. DIAZ-BALART. My colleague from Florida brought up the issue of Venezuelan elections and I want to see if I can hone in a little bit more on that. You were quoted as saying that—you said it here but you were also quoted saying that obviously there were huge irregularities.

Secretary KERRY. I said there is some, I don't know if they are huge. I have a folder that was given and some people have suggested there are irregularities.

Mr. DIAZ-BALART. Okay. Mr. Secretary, this is a quote from the press and it quotes you, it may be wrong. It says, quote, from you, Obviously there are huge irregularities. We are going to have serious questions about the viability of that government, Secretary Kerry added. That may not be accurate, but that is what the press quoted you as saying.

But this is the question. There are obviously irregularities. Will the U.S. Government accept the results of those elections, the results that the government is giving, without a recount or if not or if you are requiring a recount, what steps can we take to ensure that the recount is as transparent as possible?

Secretary KERRY. What I said earlier today, I will repeat now, is I didn't say this, but it is an important component of this. The President of the United States will make the decision of what we will do. And we need to get more information and know exactly what the options and possibilities are so I can make whatever best recommendation I can to him. But ultimately it will be his decision as to what he chooses to do in terms of recognition. I can't tell you that today. I also can't tell you that until I know what the sort of—with the C&E that made the decision that they were not going to have the recount and move forward, what are the legalities, I don't know as I sit here today.

Mr. DIAZ-BALART. All right. Obviously I am assuming you don't have a timeline for that either.

Secretary KERRY. I beg your pardon?

Mr. DIAZ-BALART. I am assuming you don't have a timeline for when that decision will be.

Secretary KERRY. Well, apparently there is now an inauguration slated for Friday I understand. So I have been here testifying all day. I am not sure what has transpired in the course of the day, but when I get back to the Department I will find out where we are. And obviously be in touch with the White House and see what their inclination is.

Mr. DIAZ-BALART. Again I think clearly what is evident is that there are irregularities and that we all know the conditions before the elections even and we don't have to go in there.

Oswaldo Paya, a very well known pro-democracy activist in Cuba, won the Sakharov Prize in Europe. His death has led to many questions about the circumstances of his death and others, by the way, other pro-democracy leaders in Cuba. His daughter is asking for an independent international investigation into his death. Is that something that the United States would support, that you would support, and if so, what steps can we take to make sure that his death is not just swept under the rug?

Secretary KERRY. Well, no human rights violation should be swept under the rug anywhere and certainly not in Cuba. We have, as you know, a number of issues. Human Rights Watch has listed a long set of grievances about Cuban detentions, Cuban imprisonments, Cuban torture, Cuban engagement in political prisoners, bad prison conditions, a lot of dissident detainees, and other things that take place. They have a very rigorous policing system that engages in activities that we would all—not we would, that we do condemn and have condemned. So this will be one more component, together with Alan Gross and other things that we are pressing the Cubans to act in a humanitarian way and be responsible. And we will continue to do that.

Mr. DIAZ-BALART. Secretary, moving on to my next question, but I would urge to you look at again demanding an investigation, an international investigation into what many believe is the murder of this human rights activist, so I would urge to you do that.

Lastly, I know I don't have a lot of time but whether it is the Liberty and Democracy Solidarity Act, whether it is President Obama's August 2011 presidential proclamation, which is Proclamation 8697, whether it is other presidential proclamations like 5377, which states that individuals who are considered by the Secretary of State or his designee to be officers or employees of the government of Cuba or the Communism Party should not be granted visas to come to the United States. And I have a list here of folks, whether it is, for example, a trigger man, a very well known trigger man, whether it is the Foreign Minister, has been publicly defending the incarceration of Alan Gross, whether it is one of Castro's secret police, who is known frankly as a strong repressor and oppressor of the people, whether it is the Deputy Administrator of Public Health, whether it is the Colonel, a colonel from the Interior who is known as a torturer of political prisoners and also the provincial head of the prisons, whether it is even a member who is now a member of the regime but is also even Raul Castro's daughter, have been given visas to come to the United States. It would seem to be in contradiction of U.S. law, of presidential dictates.

So I am not asking for an answer right now but I would respectfully ask, and I will get you this list and others, are we serious

about not allowing thugs, known thugs from this regime to come into the United States. If so, then obviously we need to be more serious because there is a huge gap, and so I will get you that list and others.

I see my time has run out. I appreciate the opportunity to do that.

Secretary KERRY. I appreciate that. Honestly let me evaluate it and take a look at the list and see what the timing was, and so forth. We will take a look at it.

Mr. DIAZ-BALART. Thank you, thank you very much.

Ms. GRANGER. Mr. Yoder.

Mr. YODER. Thank you, Madam Chair. Mr. Secretary, thank you for joining us today. Congratulations on your appointment and certainly we all join you in your efforts to create world stability and protect the national security of our great Nation.

I would like to return to the North Korea conversation that has been brought up a couple times in today's hearing. Obviously that is a situation that I know you are very concerned about, it is one that has created worldwide concern. There are threats being made against the United States, against our allies, and there are efforts being made to determine the credibility of those. Certainly your Department and the country is taking this very seriously and we appreciate that.

I noted your recent trip to Asia and the deployment of missile defense related to protecting I think, in your words, Guam, Hawaii, U.S. allies, both ship and land based, and I also notice recent comments you made regarding removing missile defense. I think the Boston Globe's headline was Kerry Offers Missile Defense Concession. In light of our reneging on some previous administration promises regarding missile defense in Europe, I would like to get your opinion on missile defense in general. Is missile defense an important strategic initiative particularly in this region? And is it important for national security for the United States and our allies? And why do you believe that concessions to China regarding missile defense to be an effective foreign policy tool? And are these concessions in the best interest of the United States?

Secretary KERRY. Well, let me dispel this interpretation before it gains any head of steam whatsoever which I don't want to do. I didn't offer any concession, I didn't offer any deal, I didn't offer any notional concept except that publicly I did say, which is accurate, that if North Korea denuclearized clearly your emergency deployment to Guam and your emergency deployment to Japan cease to have a rationale. Now I am a supporter of missile defense, I supported missile defense when I was in the Congress. I supported rational missile defense. I didn't support the grand concept of the 1980s with this overall shield, but I have always supported development and deployment of an appropriate defensive capacity where there is a threat and where we have the ability to be able to properly address it. Now we have seen what we have committed through phase 3 in Europe and the only reason phase 4 has been altered is because of the technology issues that existed, but we think, the military thinks and the scientists believe they can do a better job of developing that than they were going to on phase 4. Everybody has sort of looked at that and agreed.

I believe in the rational deployment, but in this day and age folks when we are looking at the budget and thinking about all of the things we want and have to do, if you don't have a threat, you don't have a need to deploy. And our first objective obviously of our policy is the denuclearization of the north. So nothing is on the table, there is no offer, there is no concession, there is simply a statement of fact that if you were at X deployment the day before Kim Jong-Un began all his stuff and you thought that X deployment was sufficient to protect America, and then he starts to deploy a whole bunch of stuff and you say whoops, we have Guam and Hawaii and deploy and then that threat goes away, I assume rational people would say you could get back to X. There is no grand scheme here or anything. But the bottom line is with respect to North Korea our policy is denuclearization. So the Russian policy, the Japanese policy, the Republic of Korea's policy and China's policy, there is one player in there who has the most ability to make something happen with respect to something we have been working on for 20 years that hasn't happened and that is China. And I think it is pretty certain that Kim Jong-Un is sitting there calculating up until now that unless China cracks down on him he is free to play the game, and that is the way it has worked up until now. I think China is changing its calculation and that is yet to be proven in the days ahead. But if China will join us as a partner here I think we can address everybody's interest of stability in the region and the long-term health and welfare of the Korean Peninsula as well as the other interests we have in the region. That is all I am saying.

Mr. YODER. Do you think that China will be enticed to assist us if the offer of removing missile defense is part of our conversation?

Secretary KERRY. I don't think China, frankly with all due respect, I don't think China reacts to "enticements." I think China acts in its interest as most nations do. And I think that China will determine what is in its interests. I do think it is in China's interest to have stability on the Peninsula and, you know, we will have to see whether or not—I think it is also in their interest not to see the United States go to war with North Korea and have a war on their doorstep. So I think there are rational reasons why the Chinese might choose here to help us conceivably bring North Korea into a very different posture.

Mr. YODER. Thank you, Mr. Secretary. Thank you, Madam Chair.

Ms. GRANGER. Secretary Kerry, thank you for being here. You have been here nearly 2½ hours. We appreciate that, and we appreciate your detailed and very clear responses to our questions. This concludes today's hearing. Members may submit any additional questions for the record. The Subcommittee on State, Foreign Operations, and Related Programs stands adjourned.

Mr. Cuellar

Question:

Mexico/Merida -- What are the timeframes for training police, and how many people do we plan to train with Fiscal Year 2014 funds?

Answer:

On April 16, Mexican President Enrique Peña Nieto announced his multi-pronged approach to bolster the effectiveness of Mexico's security apparatus. This approach contains six lines of action: planning, crime prevention, human rights, intergovernmental coordination, justice reform, and evaluation and feedback; however, the Government of Mexico (GOM) has yet to fully define the specifics of these six lines. In addition, Mexican leaders are eager to institute a cross-cutting program of prevention that aligns policies to combat drug addiction, rescue public space, and expand full-time schools.

With FY14 funds, we plan to assist the Peña Nieto administration in achieving its goals of bolstering law enforcement effectiveness, facilitating the transformation of police institutions, and initiating crime prevention programs that will build strong and resilient communities. In order to build capacity for policing Mexico's communities, we continue to set the stage to effectively expand police training from the federal level to the state and municipal level. We have already worked with several state police academies, enabling them to serve as the backbone for our training program and to conduct regionally specialized training. We are building our training program for Mexico's states around this regional structure that will not only enable us to provide training more effectively, but will also create synergies between law enforcement officials in neighboring states as they strive to implement reforms.

The Merida Initiative has delivered training to nearly 19,000 Mexican federal law enforcement officers, largely from the Federal Police (PF) and Attorney General's Office (PGR), including more than 4,400 (PF) police investigators deployed throughout Mexico. We have provided training to officers of the Accredited State Police Units (PEAs) from several Mexican states. While building the program, we have been increasing the number of police officers trained. In 2012, we doubled the number of police officers trained (approximately 2,000) compared to 2011 (roughly 1,000 officers). With GOM concurrence, and with the building blocks already in place, we have the capacity to continue to increase the number of police officers trained. In an effort that aligns with President Pena Nieto's regional strategy for security, we are building our training program for Mexico's states around regional structures that will not only enable us to provide training more effectively, but will also create synergies between law enforcement officials in neighboring states as they strive to implement reforms.

Building on the vision elaborated by President Peña Nieto, we will work with his administration to expand upon existing institutions, developing federal standards for Mexican law enforcement officers in the areas of recruitment, training, discipline, and promotion. This will involve partnering with the GOM to provide international experts in policing standards and best practices, and facilitate regional working groups that will integrate state, local, and federal entities to derive Mexico-specific standards. These standards will further professionalization of police forces, facilitate greater observance of civil and human rights, and foster trust among the Mexican public in its police forces. Our programs will aid a greater number of Mexico's states in enhancing professionalization among their state and local police forces through training and technical assistance in improved police practices, tactics, procedures, and standards.

Ms. Lee

Attached are three budget charts which show spending as of the end of 2012 (we are just now getting and pulling together updated information through the first quarter of 2013). These show that we have disbursed 72 percent of the funds appropriated for Haiti since the earthquake, but that figure includes both humanitarian relief assistance and the Recovery, Reconstruction and Development Assistance. If you take out the humanitarian assistance only about half (51%) of the reconstruction funding had been disbursed as of the end of CY 2012. We have not yet determined FY 13 funding.

There have been a number of significant awards made since the end of 2012:

- FTF (Feed the Future) North ~$88 million
- LOKAL+ Local Government Program ~$20 million
- EVITH - Avoid HIV and its Transmission ~$10 million
- Support of Haiti Strategic Health Information System ~$8 million
- Consortium for Elections and Political Processes ~$3 million
- HNP Infrastructure:
    - Presidential Police Barracks - ~$9 million
    - Police Commissariat at Caracol/La Pointe - ~$8 million

Many others are in the works but some other large ones will take some more time due to the nature of large infrastructure projects (new port up North and Construction of the new University Hospital building).

Total Post-Earthquake USG Funding to Haiti Summary

All Accounts - As of December 31, 2012

	Available funding through 12/31/2012	Obligations	Disbursements	% of Available Funding Disbursed
Humanitarian Relief Assistance[1]	$1.3 billion	$1.3 billion	$1.3 billion	100%
Recovery, Reconstruction & Development Assistance[2]	$2.3 billion	$1.5 billion	$1.3 billion	51%
Total	**$3.6 billion**	**$2.8 billion**	**$2.6 billion**	**72%**

Future spending

The current budget year Congressional Budget Justification [CBJ] request for FY2013 is approximately $340 million.

Terms

Obligations: For the purposes of this chart, legally-binding agreements that place funds into grants and contracts with implementing partners.

Disbursements: Payments that liquidate obligations; i.e., usually payments made to USG implementing partners as work is done.

[1] *: Remaining undisbursed humanitarian assistance amounts that may appear on USG reports reflect the slowness of payments and transfers for work already done and are thus counted as disbursed.*

[2] *: Captures data from the Office of U.S. Foreign Assistance Haiti budget for fiscal years 2010 (Base & Supplemental), 2011, 2012, debt relief, and disbursements of prior-year USAID funds appropriated before the earthquake. Prior-year funds are not included in the "available funding" or "obligations" columns.*

Total USG Funding to Haiti Summary

As of December 31, 2011

$ in hundreds of thousands for all items	Available funding through 12/31/2011	Obligations	Disbursements	Balance left to be disbursed
Humanitarian Relief Assistance[1]	$1,283	$1,283	$1,283	$0
Recovery & Reconstruction Assistance[2]	$1,858	$1,033	$867	$1,153
Total	**$3,141**	**$2,317**	**$2,150**	**$1,153**

Future spending

The current budget year request for FY 2012 is $407 million.

Terms

Obligations: For the purposes of this chart, legally-binding agreements that place funds into grants and contracts with implementing partners.

Disbursements: Payments that liquidate obligations; i.e., usually payments made to USG implementing partners as work is done.

[1]: *Captures the full humanitarian relief program, although some projects, payments and transfers remain to be completed.*

[2]: *Captures disbursements of prior-year (pre-FY10) USAID funds that are not included in the "available funding" or "obligations" columns.*

USG Haiti Post-Earthquake Funding Summary by Account

As of 12/31/2012

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Terms

Disbursements: Payments that liquidate obligations—usually reimbursements made to USG implementing partners for services rendered. Does not include accruals.

Humanitarian Assistance: For the purposes of this chart, emergency, life-saving assistance as defined by each individual agency. Remaining undisbursed humanitarian assistance amounts that may appear on USG reports reflect the slowness of payments and transfers for work already done and are thus counted as disbursed.

Obligations: For the purposes of this chart, legally-binding agreements that place funds into grants and contracts with implementing partners.

Recovery & Reconstruction: All other aid activities not tied to humanitarian assistance.

[1]: Totals include prior years humanitarian assistance funding but not prior years recovery & reconstruction, with the exception of USAID disbursements.

[2]: **The "New York Pledge":** March 2010 - The USG pledged $1.15 billion to Haiti reconstruction at the Haiti Donor's Conference in New York.
July 2010 - Congress appropriated $1.14 billion in the FY 10 Supplemental (including $212 million in debt relief).
February 2012 - As authorized in the FY 2010 Supplemental, Treasury provided an additional $33.4 million in debt relief, making for a total of $1.17 billion, as shown above.

Questions for the Record Submitted to
Secretary of State John F. Kerry by
Chairwoman Kay Granger (#1)
Subcommittee on State, Foreign Operations, and Related Programs
House Appropriations Committee
April 17, 2013

Question:

What is the Office of the US Global AIDS Coordinator's (OGAC) estimate for average per patient treatment costs in FY13 and FY14?

Answer:

PEPFAR's portion of the average per patient treatment cost has declined from over $1100 per patient per year to approximately $338. Please see PEPFAR's 2013 annual treatment report which provides more detail on this subject. We do not expect PEPFAR's FY13 treatment cost to dramatically change from the treatment cost in FY12. We cannot predict FY14 per patient treatment costs at this time.

Questions for the Record Submitted to
Secretary of State John F. Kerry by
Chairwoman Kay Granger (#2)
Subcommittee on State, Foreign Operations, and Related Programs
House Appropriations Committee
April 17, 2013

Question:

Please provide a chart comparing the US contribution to the Global Fund to Fight AIDS, TB and Malaria to other donors for FY10 through FY12, providing both year-to-year data and cumulative amounts.

Answer:

Please see the following table.

Donor	FY 2010		FY 2011		FY 2012 (To Date) *		FY 2010-FY 2012 TOTAL (To Date)	
	Contribution	%	Contribution	%	Contribution	%	Contribution	% Cum.
United States	$999,080,182	31%	$992,419,312	33%	$953,596,892	29%	$2,945,096,386	31%
France	$394,317,088	12%	$465,703,731	16%	$447,580,246	14%	$1,307,601,064	14%
United Kingdom	$308,465,200	10%	$239,107,000	8%	$404,514,038	12%	$952,086,238	10%
Germany	$265,996,665	8%	$260,606,044	9%	$259,425,000	8%	$786,027,709	8%
Japan	$246,870,005	8%	$114,229,085	4%	$342,876,738	10%	$703,975,828	7%
Canada	$141,750,142	4%	$176,470,588	6%	$182,435,989	6%	$500,656,719	5%
European Commission	$128,048,022	4%	$147,131,000	5%	$127,921,000	4%	$403,100,022	4%
Gates Foundation	$100,000,000	3%	$150,000,000	5%	$150,000,000	5%	$400,000,000	4%
Sweden	$74,041,167	2%	$87,168,759	3%	$104,593,133	3%	$265,803,058	3%
Netherlands	$100,564,000	3%	$88,406,540	3%	$30,845,000	1%	$219,815,540	2%
Norway	$61,969,131	2%	$75,700,227	3%	$75,465,848	2%	$213,135,206	2%
Australia	$42,538,200	1%	$42,150,000	1%	$62,287,176	2%	$146,975,376	2%
Spain	$133,673,400	4%	$0	0%	$0	0%	$133,673,400	1%
Denmark	$31,214,521	1%	$30,723,315	1%	$25,095,623	1%	$87,033,458	1%
Belgium	$27,413,000	1%	$26,867,400	1%	$27,108,900	1%	$81,389,300	1%
(PRODUCT) RED	$21,096,496	1%	$21,462,249	1%	$18,458,225	1%	$61,016,971	1%
Debt2Health	$14,919,549	0%	$24,008,014	1%	$17,821,406	1%	$56,748,970	1%
Russia	$5,456,880	0%	$20,000,000	1%	$20,000,000	1%	$45,456,880	0%
Ireland	$38,346,401	1%	$0	0%	$0	0%	$38,346,401	0%
Chevron Corporation	$10,000,000	0%	$8,000,000	0%	$8,000,000	0%	$26,000,000	0%
Switzerland	$7,186,858	0%	$8,541,533	0%	$8,769,045	0%	$24,497,437	0%
Other Public/Private Donors	$26,997,671	1%	$25,063,748	1%	$31,069,771	1%	$83,131,190	1%
Grand Total	$3,179,944,577		$3,003,758,545	100%	$3,297,864,030		$9,481,567,152	

* As of May 2013. Actual contributions to date; additional U.S. tranches of FY 2012 funding are pending contribution and contingent on approval by the Global AIDS Coordinator. Additional contributions from other donors may also be outstanding for 2012.

Questions for the Record Submitted to
Secretary of State John F. Kerry by
Chairwoman Kay Granger (#3-5)
Subcommittee on State, Foreign Operations
And Related Programs
House Appropriations Committee
April 17, 2013

Question 3:

What is the number of personnel in the Office of Global Health Diplomacy? Please break out by direct hire, contractor and detailee (including detailee's agency).

Answer:

When fully staffed, the Office of Global Health Diplomacy (S/GHD) will comprise eight direct-hire employees: five Foreign Service and three Civil Service. Four of the eight positions are currently filled and three Foreign Service Officers are scheduled to arrive in August 2013. S/GHD is also supported by one part-time, stay-in-school paid intern under the Federal government-wide Pathways program; and three detailees; one half-time contractor from the Office of the Global AIDS Coordinator; one full-time, but temporary, Presidential Management Fellow on rotation from the Centers for Disease Control (CDC); and one full- time contractor from USAID.

Full-time staff (10 total):

- Direct-hires (8)
    - Foreign Service Officers (5) – 3 officers will arrive in August 2013
    - Civil Service Officers (2)
    - Vacant Civil Service Officer slot (1)
- President Management Fellows (PMF) on rotation
  (rotations are required as part of the PMF program)
    - HHS/CDC (1) – end date May 31, 2013
- Detailed contractors:
    - USAID (1) – end date August 31, 2013

Part-time staff (2 total):

- Interns (1)
    - Stay-in-School Pathways intern (75% time)
- Detailed contractors (1)
    - 1 contractor from S/GAC (50% time) – end date August 2013

Question 4:

What is the level of funds requested in FY14 and estimated in FY13 for the Office of Global Health Diplomacy? Are any program funds assumed? If so, at what level and from which account.

Answer:

The budget for the Office of the Global Health Initiative (S/GHI), whose operations were suspended in summer 2012, has been transferred to support S/GHD. For FY 2013, this includes $200,000 in operational funds. For FY 2014, S/GHD has requested $1.8 million from D&CP funds for operational expenses and to cover personnel costs for eight full-time staff. S/GHD has not requested program funds in either FY 2013 or 2014.

Question 5:

Please detail all funding transfers from OGAC, USAID and CDC in support of the operations of the Office of Global Health Diplomacy.

Answer:

No funds have been transferred from OGAC, USAID and CDC to support the operations of S/GHD.

Questions for the Record Submitted to
Secretary of State John F. Kerry by
Chairwoman Kay Granger (#6)
Subcommittee on State, Foreign Operations
And Related Programs
House Appropriations Committee
April 17, 2013

Question:

Section 7049 of the fiscal year 2012 act, and carried forward in the fiscal year 2013 full-year CR, requires that 15 percent of funds made available for UN and international organizations shall be withheld if "the Secretary of State determines and reports to the Committees on Appropriations that the agency or organizations not taking steps" to make publicly available to financial and programmatic audits, and protect whistleblowers. Please provide an assessment to date of all steps taken by each UN agency and international organization funded in Contributions for International Organizations and International Organizations & Programs to meet the standards of this general provision.

Answer:

We remain committed to improving transparency throughout the UN system and consistently push organizations to strengthen oversight mechanisms and whistleblower protection policies, as well as to provide the public and member states with the results of these efforts. We have seen significant progress in recent years to increase transparency and strengthen internal policies as detailed below.

I. UNITED NATIONS

External audits are available to the public on the Board of Auditors' website. Pursuant to General Assembly Resolution 67/258, internal audits by the UN Office of Internal Oversight Services (OIOS) will be made available to the general public on a trial basis through December 31, 2014. OIOS will publish internal audit reports on its public website beginning in June 2013. Whistleblower protections are contained in the Secretary-General's Bulletin *Protection against retaliation for reporting misconduct and for cooperating with duly authorized audits or investigations* (ST/SGB/2005/21). The UN Ethics Office, which is responsible for protecting whistleblowers from retaliation, is currently reviewing the effectiveness of the policy.

II. UN FUNDS AND PROGRAMS

United Nations Development Program (UNDP)

External audits are available to the public on the Board of Auditors' website. In June 2012, the Executive Board decided to make internal audit reports available to the public. Whistleblower protections are contained in the *UNDP Legal Framework for Addressing Non-Compliance with UN Standards of Conduct.*

United Nations Environment Program (UNEP)

External audits are available to the public on the Board of Auditors' website. Pursuant to General Assembly Resolution 67/258, internal audits by the UN Office of Internal Oversight Services (OIOS) will be made available to the general public on a trial basis through December 31, 2014. OIOS will publish internal audit reports on its public website beginning in June 2013. Whistleblower protections are contained in the Secretary-General's Bulletin *Protection against retaliation for reporting misconduct and for cooperating with duly authorized audits or investigations* (ST/SGB/2005/21). The UN Ethics Office, which is responsible for protecting whistleblowers from retaliation, is currently reviewing the effectiveness of the policy.

United Nations Population Fund (UNFPA)

External audits are available to the public on the Board of Auditors' website. In June 2012, the Executive Board decided to make internal audit reports available to the public. Whistleblower protections are contained in the *HR Policies and Procedures Manual.*

United Nations Human Settlements Program (UN-HABITAT)

External audits are available to the public on the Board of Auditors' website. Pursuant to General Assembly Resolution 67/258, internal audits

by the UN Office of Internal Oversight Services (OIOS) will be made available to the general public on a trial basis through December 31, 2014. OIOS will publish internal audit reports on its public website beginning in June 2013. Whistleblower protections are contained in the Secretary-General's Bulletin *Protection against retaliation for reporting misconduct and for cooperating with duly authorized audits or investigations* (ST/SGB/2005/21). The UN Ethics Office, which is responsible for protecting whistleblowers from retaliation, is currently reviewing the effectiveness of the policy.

United Nations Children's Fund (UNICEF)

External audits are available to the public on the Board of Auditors' website. In June 2012, the Executive Board decided to make internal audit reports available to the public. In January 2008, UNICEF established a whistleblower protection policy (Executive Directive CF/EXD/2007-005 Rev.1).

United Nations Office on Drugs and Crime (UNODC)

External audits are available to the public on the Board of Auditors' website. Pursuant to General Assembly Resolution 67/258, internal audits by the UN Office of Internal Oversight Services (OIOS) will be made available to the general public on a trial basis through December 31, 2014.

OIOS will publish internal audit reports on its public website beginning in June 2013. Whistleblower protections are contained in the Secretary-General's Bulletin *Protection against retaliation for reporting misconduct and for cooperating with duly authorized audits or investigations* (ST/SGB/2005/21). The UN Ethics Office, which is responsible for protecting whistleblowers from retaliation, is currently reviewing the effectiveness of the policy.

United Nations Entity for Gender Equality and the Empowerment of Women (UN WOMEN)

External audits are available to the public on the Board of Auditors' website. Pursuant to Executive Board in Decision 2012/10, internal audits are available to the public. UN Women follows UN whistleblower policy contained in the Secretary-General's Bulletin *Protection against retaliation for reporting misconduct and for cooperating with duly authorized audits or investigations* (ST/SGB/2005/21).

III. UN SPECIALIZED AGENCIES AND THE INTERNATIONAL ATOMIC ENERGY AGENCY

Food and Agriculture Organization (FAO)

External audit reports are publicly available on the website. Internal audits can be reviewed by member states. Whistleblower protections were established by a 2011 Administrative Circular.

International Atomic Energy Agency (IAEA)

External audits are available to the public. The second annual report on internal audit activities was presented to the IAEA Program and Budget Committee in May 2013. IAEA's Office of Internal Oversight Services has responsibility for receiving and reviewing whistleblower complaints of retaliation.

International Civil Aviation Organization (ICAO)

External audits are available to the public on the ICAO website. Internal audits can be reviewed by members at the internal audit office. ICAO has adopted the United Nations Standards of Conduct for the International Civil Service, which provides basic protections from reprisal for reporting breaches of the rules and regulations.

International Labor Organization (ILO)

External audits are available to the public on the ILO website. Internal audits can be reviewed by members at the internal audit office. Whistleblower protections are contained in ILO Office Guideline IGDS Number 186 (Version 1).

International Maritime Organization (IMO)

External audits are available to members via a secure site. Internal audits can be reviewed by members at the internal audit office. IMO has a policy framework for receiving and reviewing complaints of retaliation.

International Telecommunication Union (ITU)

External audits are available to members via a secure site. Internal audits can be reviewed by members at the internal audit office. In 2009, the ITU Council approved a policy framework for receiving and reviewing complaints of retaliation.

United Nations Educational, Scientific and Cultural Organization (UNESCO)

External audits are available to the public on the UNESCO website. Internal audits can be reviewed by members at the internal audit office. UNESCO established its *Whistleblower and Anti-Retaliation Policy* in December 2010.

Universal Postal Union (UPU)

External audits are available to members via a secure site. An annual report on internal audit activities is presented to the UPU Council of Administration. In 2010, the Council of Administration approved the Ethics Officer's draft policies for the protection of whistleblowers.

World Health Organization (WHO)

External audits are available to the public on the WHO website. Internal audits can be reviewed by members at the internal audit office. In 2006, WHO established a policy framework for reviewing complaints of retaliation and providing interim relief to whistleblowers.

World Intellectual Property Organization (WIPO)

External audits are available to the public on the WIPO website. Internal audits can be reviewed by members at the internal audit office. In November 2012, the WIPO Director General signed Office Instruction No. 58/2012: *Policy to Protect Against Retaliation for Cooperating in an Oversight Activity or Reporting Misconduct or Other Wrong Doing ("Whistleblower Protection Policy").*

World Meteorological Organization (WMO)

External audits are available to the public on the WMO website. Internal audits can be reviewed by members at the internal audit office. In April 2012, the WMO Secretary-General implemented enhanced whistleblower protections via Service Note No. 2012/7.

IV. ORGANIZATION OF AMERICAN STATES (OAS)

External audits are available to the public on the OAS website. Internal audits can be reviewed by members at the internal audit office. Whistleblower protections are contained in OAS Staff Rule 101.11.

Questions for the Record Submitted to
Secretary of State John F. Kerry by
Chairwoman Kay Granger (#7)
Subcommittee on State, Foreign Operations
And Related Programs
House Appropriations Committee
April 17, 2013

Question:

According to the Government Accountability Project, the office charged with protecting UN Secretariat whistleblowers has ultimately rejected 99% of whistleblowers' retaliation claims. Looking at the whistleblower cases over the past year at the UN, how well has the UN Ethics Office protected UN whistleblowers?

Answer:

Over the last seven years, we have had the opportunity to observe the implementation of the UN's whistleblower protections. According to its 2012 annual report to the UN General Assembly, the UN Ethics Office conducted 106 preliminary reviews of complaints of retaliation from August 2006-July 2012. The Ethics Office found a *prima facie* case of retaliation in nine instances, which were referred for further investigation. As of July 2012, the UN had completed five of the investigations. The Ethics Office was able to substantiate claims of retaliation in one case.

These figures seem very low. Whistleblowers must have confidence that they will be protected from reprisals. Despite the establishment of the Ethics

Office, Ombudsman, and Office of Internal Oversight Services, more could be done to build a culture of ethics, integrity, and accountability. At the urging of the United States, UN member states made a formal request to the Secretary-General this spring to expedite the development of strengthened protections against whistleblower retaliation. The U.S. Mission to the United Nations will continue to follow developments in this regard.

More broadly, the Department remains deeply committed to advancing oversight, ethics, and accountability reforms throughout the UN system through our United Nations Transparency and Accountability Initiative (UNTAI). A major focus of UNTAI is the establishment of independent ethics functions and credible whistleblower protections. We have made significant progress in both areas.

Questions for the Record Submitted to
Secretary of State John F. Kerry by
Chairwoman Kay Granger (#8)
Subcommittee on State, Foreign Operations
And Related Programs
House Appropriations Committee
April 17, 2013

Question:

Please detail how well the UN is meeting best practices in whistleblower protection, including with respect to misconduct in the peacekeeping missions, including UN police officers, peacekeepers and victims.

Answer:

Since the establishment of the UN Ethics Office on January 1, 2006, the United States has closely followed its progress in building a culture of integrity and accountability in the UN Secretariat. We worked hard to ensure the appointment of a respected leader to head the UN Ethics Office. Joan Dubinsky, a U.S. citizen who was formerly Director of Ethics with BAE Systems, Inc. and Chief Ethics Officer with the International Monetary Fund was appointed as Director in 2010. She has since launched a comprehensive external review of existing UN whistleblower policies, scheduled for completion in June 2013. The current policy applies to UN civilian staff. We have urged the Secretariat to consider extending protection to all individuals under the UN's operational control, including individuals serving in peacekeeping missions. Recommendations that may require

General Assembly approval will be presented in the fall in the annual report of the Ethics Office.

Through the United Nations Transparency and Accountability Initiative (UNTAI), the Department aims to ensure that whistleblower policies actually translate into whistleblower protection and if retaliation is taken or threatened, a staff member receives effective relief from the organization's Administration. Our overall assessment of the UN's current whistleblower protections is that, while they are sound on paper, UN personnel appear to lack confidence in whistleblower protections.

The last Ethics Office annual report cited 46 enquiries from staff related to protection against retaliation from August 1, 2010, to July 31, 2011. Given the size of the UN, the reporting figures seem very low, suggesting that cases of retaliation may often go unreported.

The United States believes that in order for the United Nations to truly live up to its mission of promoting peace and security, human rights, and development, it must address these gaps to create an institution where anyone who knows about misconduct or abuse can and will speak up and be heard.

With respect to current UN whistleblower protection procedures and practices we are concerned about the Ethics Office's lack of enforcement authority to make binding recommendations and set clear deadlines for follow-on action; the

routine transfer of retaliators to other offices; weak coordination among the various offices that receive allegations of misconduct; and an unwieldy process to establish a prima facie case of retaliation. We have been in direct and regular contact with senior UN officials about steps we believe should be taken to address these concerns.

The United States is pressing the UN Secretariat to address deficiencies where they exist, including with respect to misconduct in peacekeeping missions. We are committed to eliminating waste, fraud and sexual abuse and exploitation at the United Nations, and we will continue to work to assure that whistleblowers can report wrongdoing without fear of reprisal.

Questions for the Record Submitted to
Secretary of State John F. Kerry by
Chairwoman Kay Granger (#9)
Subcommittee on State, Foreign Operations
And Related Programs
House Appropriations Committee
April 17, 2013

Question:

What steps has the State Department taken to address problems at the UN with respect to protecting whistleblowers?

Answer:

In 2005, the Secretary-General issued the UN whistleblower protection policy (ST/SGB/2005/21). This policy was developed by the UN Department of Management after months of consultation with the State Department and outside experts on organizational ethics and compliance. For instance, we called for annual reporting by the Ethics Office on cases referred for investigation and information on their subsequent outcome. The UN took our idea on board, and each year the General Assembly reviews the activities of the Ethics Office for the preceding year.

We have continually monitored how the UN applies its policy to real world cases. In 2007, the United Nations Development Program (UNDP) challenged the jurisdiction of the UN Ethics Office to investigate whistleblower claims of

retaliation in the UN funds and programs. We were very troubled by UNDP's opposition and conveyed our concerns to the Secretary-General.

In response to these concerns, the Secretary-General put in place an ethics framework for the UN funds and programs (ST/SGB/2007/11), which required the establishment of ethics functions at all funds and programs. The framework also created the UN Ethics Committee, Chaired by the UN Ethics Director, to unify ethical standards across organizations.

The United States continues to press the UN Secretariat to address deficiencies where they exist. At our urging, UN member states made a formal request to the Secretary-General this spring to expedite the development of strengthened protections against whistleblower retaliation. To facilitate that process, the UN Ethics Office is currently reviewing the effectiveness of the current policy. Since the creation of the UN Ethics Office, we have maintained an ongoing dialogue with the UN Ethics Director and other senior UN officials, and we will continue to remain engaged on this matter.

Questions for the Record Submitted to
Secretary of State John F. Kerry by
Chairwoman Kay Granger (#10)
Subcommittee on State, Foreign Operations
And Related Programs
House Appropriations Committee
April 17, 2013

Question:

What is the status of cost overruns for the United Nations Headquarters Capital Master Plan? What is being done to mitigate those overruns? Does the FY14 request include funds to support the Capital Master Plan or outfitting of the buildings?

Answer:

The current estimate for the Capital Master Plan (CMP) cost overrun is $143 million, roughly equivalent to the amount of "associated costs" (e.g., furniture, staff relocation). The UN Secretariat maintains these associated costs were not part of the original project scope, but the General Assembly asked the Secretariat to make every effort to absorb the costs within the approved CMP budget, and Government Accountability Office (GAO) and other reports include these costs as part of the overall cost estimate for the project.

The current estimate is a 66 percent reduction from the overrun amount cited by the GAO in mid-2012. The decrease results primarily from reducing the project's scope (suspending renovation of the Library and South Annex because of security issues) and using available funding from the CMP's working capital reserve and accumulated interest. The United States and other member states

continue to press the Secretariat to further reduce costs in order to complete the project within the approved budget level.

In FY 2012, the Department contributed the fifth of five annual payments of $75.5 million for the CMP. The Department did not request additional funding for the CMP in FY 2014.

Questions for the Record Submitted to
Secretary of State John F. Kerry by
Chairwoman Kay Granger (#11)
Subcommittee on State, Foreign Operations, and Related Programs
House Appropriations Committee
April 17, 2013

Question:

How does the FY14 budget support Colombia's efforts to provide training to other countries? What mechanisms are in place to ensure coordination of effort between the US and Colombia in providing regional training?

Answer:

The Bureau of International Narcotics and Law Enforcement Affairs (INL) requested $2 million in the FY 2014 Colombia bilateral budget request to support Colombia's efforts to provide training to other countries. In 2013, INL established the International Coordination Division (ICD) within their office in Bogota, Colombia. Part of the ICD's mission is to coordinate the U.S.-Colombia Action Plan on Regional Security Cooperation. This mechanism, and the joint planning that results from it, will help us to expand the number of coordinated training engagements and target countries.

Questions for the Record Submitted to
Secretary of State John F. Kerry by
Chairwoman Kay Granger (#12)
Subcommittee on State, Foreign Operations, and Related Programs
House Appropriations Committee
April 17, 2013

Question:

Does the budget include a request to support trade capacity building in Latin America?

Answer:

Yes. We requested $3 million in Economic Support Funds (ESF) in FY 2014 for Pathways to Prosperity in the Americas, which helps support trade capacity building efforts with our free trade agreement and other like-minded partners. The funding is requested under the State Western Hemisphere Regional ESF line item.

Pathways promotes our partners' sustained commitment to full implementation of our Free Trade Agreements (FTA) by helping them develop and implement policies to empower small business, facilitate trade, build a modern workforce, and promote sustainable business practices and environmental protections. These policies enable our FTA partners to address domestic political concerns that these countries may be unable to compete in a free-trade environment. In addition, by engaging a small number of like-minded non-FTA

partners in Pathways, we hope to prepare the ground for future market-opening initiatives in the region.

Questions for the Record Submitted to
Secretary of State John F. Kerry by
Chairwoman Kay Granger (#13)
Subcommittee on State, Foreign Operations, and Related Programs
House Appropriations Committee
April 17, 2013

Question:

The President of Mexico has announced a shift in his security policy from confronting illicit drug networks to reducing violence. Do you anticipate U.S. assistance will also reflect this shift and if so, what does that mean for ongoing and requested programs?

Answer:

President Pena Nieto told President Obama that he is committed to continuing our close collaboration on security issues under the four-pillar Merida framework with a sharper focus on rule of law and crime prevention – pillars two and four. We are well positioned to support many of the stated priorities of the Pena Nieto administration, which dovetail well with the current direction of our programming including police professionalization and justice sector reform. We are also positioned to continue and expand our programs in the areas of drug demand reduction, culture of lawfulness, civic engagement, crime prevention, urban and social planning, efforts on Mexico's southern border, and anti-corruption measures. We believe our FY 2014 request is consistent with and aligns well with Pena Nieto administration priorities.

We are continuing to work with the Pena Nieto administration on how our security cooperation will evolve and how our programming will best be able to support their priorities within the Merida Initiative framework.

Questions for the Record Submitted to
Secretary of State John F. Kerry by
Chairwoman Kay Granger (#14)
Subcommittee on State, Foreign Operations, and Related Programs
House Appropriations Committee
April 17, 2013

Question:

How will the FY14 budget further the U.S.-Mexico economic relationship?

Answer:

The United States and Mexico share one of the world's most vibrant economic relationships. Mexico is our second largest export market and third largest overall trading partner. The United States is Mexico's largest trading partner. This partnership helps strengthen America's economy. U.S.-Mexico merchandise trade amounted to nearly $500 billion in 2012 and supported an estimated six million U.S. jobs in states both close to and distant from the border.

To deepen and give greater attention to the economic ties that bind us together and create jobs, prosperity, and opportunity in both countries, Presidents Obama and Pena Nieto agreed earlier this month to establish a High-Level Economic Dialogue (HLED). Through this dialogue, the United States and Mexico will promote competitiveness, foster economic growth and innovation, and explore ways to partner for global leadership. The HLED is envisioned as a flexible platform intended to advance strategic economic and commercial

priorities. The HLED will be chaired at the cabinet level and engage with relevant stakeholders, notably the private sector. It will build on, but not duplicate, a range of existing successful bilateral activities and working groups. The presidents also agreed to work together toward an ambitious conclusion to a high-standard Trans-Pacific Partnership this year, and underscored the importance of a secure and efficient shared border.

Mexico's economic successes and increased domestic capabilities have allowed the United States to reduce overall levels of assistance to Mexico. Moreover, U.S. assistance is focusing on training and capacity building in Mexico, which tends to be less expensive and to have broader impact than the donations of aircraft and equipment that characterized earlier phases of the Merida Initiative. The Administration's FY 2014 request is $205.49 million for bilateral assistance for Mexico, which includes $183.131 million for the Merida Initiative (Economic Support Funds and International Narcotics Control and Law Enforcement) plus $10 million under Development Assistance for environment programming, $7 million for Foreign Military Financing, $1.449 million for International Military Education and Training, and $3.91M for Nonproliferation, Antiterrorism, Demining and Related Programs.

For FY2014, the Merida Initiative includes activities aimed at supporting Mexican efforts to reform the criminal justice system, including training for

judges, prosecutors, defense attorneys, investigative police and others. The United States is also providing training and limited equipment to security and judicial institutions at the federal, state and municipal levels to sustain the rule of law and combat organized crime. The initiative is helping to build strong and resilient communities by supporting Mexican crime prevention programs. These programs strengthen the institutions and the security environment that foster economic progress in Mexico.

Questions for the Record Submitted to
Secretary of State John F. Kerry by
Chairwoman Kay Granger (#15)
Subcommittee on State, Foreign Operations, and Related Programs
House Appropriations Committee
April 17, 2013

Question:

What mechanisms exist for Mexico and the U.S. to coordinate on security efforts with Central America?

Answer:

Mexico's engagement with Central America on security issues increased in recent years. Mexico is working with its Central American partners to combat organized crime, including Mexican drug trafficking organizations present in Central America. President Pena Nieto expressed interest in cooperating with the United States, Canada, and other regional partners to support the Central American countries' efforts to improve security and expand their economies.

Mexico has been an active participant with the United States in fostering the Central America Integration System (SICA) Regional Security Strategy. The United States, Mexico, and Colombia co-lead the Group of Friends of Central America security experts group, supporting the combating crime pillar of the Regional Security Strategy.

In addition, Canada, Mexico, and the United States initiated high-level security talks with SICA through the SICA - North America Security Dialogue to

strengthen regional cooperation on security and promote effective and measurable results in combating transnational crime and violence. On April 30, a SICA - North America Security Dialogue meeting will be held in Washington, at which participants from the United States, Mexico, Canada, Colombia, the Dominican Republic, and the seven SICA member states will discuss enhancing regional coordination on security programming, specifically in the areas of precursor chemicals and prevention.

Questions for the Record Submitted to
Secretary of State John F. Kerry by
Chairwoman Kay Granger (#16)
Subcommittee on State, Foreign Operations
And Related Programs
House Appropriations Committee
April 17, 2013

Question:

The Department of State released The Merida Initiative Strategy in May of 2012, which included metrics by which the impact of U.S. Merida assistance would be measured. When will a follow-on report be issued that reports on findings of these metrics thus far?

Answer:

The State Department has tracked many of the indicators from the strategy and has been in discussions with the Government of Mexico to access data for the remaining indicators. While the Department is not planning on a formal report at this time, we would be happy to share our results on key indicators when the complete data becomes available.

USAID has collected data for the indicators included in this strategy through a number of mechanisms, including training surveys of justice sector actors and a public opinion survey in the areas where crime and violence prevention programs are being implemented. These indicators are a sub-set of a broader performance monitoring system that covers all of USAID's programs being implemented under the Merida Initiative.

In April 2013, the Department's Bureau of International Narcotics and Law Enforcement Affairs (INL) launched a comprehensive monitoring and evaluation (M+E) contract. The contract is intended to systemically and comprehensively measure the impact of INL Merida assistance. INL is working with U.S. and Mexican partner organizations to develop metrics frameworks, which will include indicators from the strategy, and will conduct an on-going, independent assessment of the performance and impact of all the major INL Merida project areas. INL plans to coordinate closely with the Government of Mexico to ensure that its partners are able to access relevant data and ensure that local, Mexican perspective is reflected in the assessment.

Questions for the Record Submitted to
Secretary of State John F. Kerry by
Chairwoman Kay Granger (#17)
Subcommittee on State, Foreign Operations
And Related Programs
House Appropriations Committee
April 17, 2013

Question:

Approximately how much of the funding request for Mexico and Honduras, in each account, is to support the military and police forces? Of those amounts, how much will be used to promote transparency, anti-corruption and the rule of law?

Answer:

The President's Fiscal Year (FY) 2014 budget request for foreign assistance to Mexico is $205.49 million. This figure includes $148.1 million in the International Narcotics Control and Law Enforcement (INCLE) account, $63 million of which would support law enforcement, with an anticipated focus on police and investigators in Mexico's states. In general, the INCLE account does not provide support to the military. The INCLE account has provided some training and technical equipment to elements of the Mexican military engaged in supporting civilian law enforcement efforts, guided by civilian law enforcement policies and procedures. The INCLE request also includes $7 million for anti-corruption and transparency and $45.5 million for rule of law programs.

The President's FY 2014 budget request for Mexico also includes $7 million in Foreign Military Financing (FMF), which will strengthen Mexican military forces' capabilities to execute intelligence-driven operations, as well as to deploy surveillance aircraft and watercraft to detect, monitor, and interdict ground vehicles, air tracks, and vessels of interest. Although FMF funds are not directly used to promote transparency, anti-corruption, and the rule of law, International Military Education and Training (IMET) courses attended by Mexican military personnel will help address these issues within the two countries' military forces.

In addition, the President's FY 2014 request for Mexico includes $35 million in Economic Support Funds (ESF) to be administered by USAID. Of this amount, roughly $5 million would support police training in community policing, the role of the police in the new criminal justice system, and human rights (none of these funds will be used to support the military). USAID would provide an estimated $18 million in 2014 ESF in support of programs promoting transparency, anti-corruption, and rule of law.

The President's Fiscal Year (FY) 2014 budget request for foreign assistance to Honduras is $54.476 million. INCLE assistance in Honduras through the Central America Regional Security Initiative (CARSI) supports citizen security and the Honduran justice sector through efforts to reduce levels of crime and violence, promote the rule of law, combat corruption, and increase transparency.

The President's FY2014 CARSI INCLE request for Central America is $100 million. In addition to bilateral obligations, Honduras will benefit from other regional program obligations of CARSI INCLE, as will other countries. The vast majority of INCLE assistance to Honduras supports training, advisors, logistics and equipment, and technical assistance to support Honduran security and justice sector institutions and their professionalization.

Also, the President's FY 2014 budget request for Honduras includes $4.5 million in FMF, which will provide support to enhance the Honduran military's capability to improve maritime and border security and address transnational threats affecting the region.

Questions for the Record Submitted to
Secretary of State John F. Kerry by
Chairwoman Kay Granger (#18)
Subcommittee on State, Foreign Operations
And Related Programs
House Appropriations Committee
April 17, 2013

Question:

What is the aerial interdiction strategy for FY14 in Central America? What lessons learned will be applied to the next phase?

Answer:

Through the Central America Regional Security Initiative (CARSI), the Department seeks to establish a regional aviation program, initially based in Honduras, to enhance air mobility for host nation law enforcement actors. INL plans to utilize a mix of fixed and rotary aircraft from existing INL inventory to initially resource this program. The capacity will enable the mobilization of foreign law enforcement personnel to extend their presence in under-governed spaces affected by the illicit activities of transnational and local criminal organizations.

The Department has completed an operations manual that provides clear guidance for planning, preparing, conducting, and assessing this program. This manual details policies and procedures for prosecutor involvement in law enforcement activities, provision of emergency medical assistance, mitigation of

risk to bystanders, investigations, and outcomes. The development of this manual stems from lessons learned and these lessons have already been applied to improve and enhance future assistance.

Questions for the Record Submitted to
Secretary of State John F. Kerry by
Chairwoman Kay Granger (#19)
Subcommittee on State, Foreign Operations, and Related Programs
House Appropriations Committee
April 17, 2013

Question:

What efforts have the Government of Guatemala and the Guatemalan Army taken to meet the conditions in the Statement of the Managers accompanying the State, Foreign Operations Appropriations Act, 2012? Does the FY14 budget request include funding for the Guatemalan Army?

Answer:

The Guatemalan government and Army are working to address the issues listed in the Conference Report accompanying the Department of State, Foreign Operations and Related Programs Appropriations Act, 2012. Since the signing of the Peace Accords in 1996, the Guatemalan military's human rights record has improved significantly. This includes significant progress in recent years on cooperation with civilian authorities on human rights cases involving military personnel and working to focus the Guatemalan military's mission to securing borders and external threats. The Guatemalan Army, frequently called upon to support law enforcement in joint police-military patrols, highway checkpoints, and counternarcotics operations, is responsive to, and subservient to, civilian political authorities. However, problems still remain, as illustrated by the October 2012

incident in Totonicapan, Guatemala, where members of the military killed six civilian protestors. The Public Ministry responded promptly to the incident and all responsible parties were arrested. The Army has earned international and domestic recognition for its work in support of peace keeping and disaster response and recovery efforts.

The FY14 budget request includes Enhanced IMET training for the Guatemalan Army consistent with prior legislative provisions. Courses include: 1) international rule of law and the application for military operations; and 2) a mobile training team to train human rights instructors.

Questions for the Record Submitted to
Secretary of State John F. Kerry by
Chairwoman Kay Granger (#20)
Subcommittee on State, Foreign Operations, and Related Programs
House Appropriations Committee
April 17, 2013

Question:

The overall request for the Caribbean Basin Security Initiative remains essentially at the FY12 level, however there is a significant shift of resources away from the Foreign Military Financing Program, International Narcotics Control and Law Enforcement, and Nonproliferation, Antiterrorism, Demining and Related Programs and towards the Economic Support Fund. Efforts against illicit trafficking in Mexico and Central America will put additional pressure on the Caribbean. How will this shift away from security assistance and toward economic assistance address the related security concerns?

Answer:

The request for an increase in Economic Support Funds (ESF) and decrease in International Narcotics Control and Law Enforcement (INCLE), Nonproliferation, Antiterrorism, Demining and Related Programs (NADR), and Foreign Military Financing (FMF) funds are indicative of the evolution of CBSI. Initial investments focused on equipment and physical infrastructure. Continuing efforts will concentrate on sustainment, enhanced follow-on training, capacity building, and engagement with youth at risk of being drawn into illicit activities. The shift does not reflect a decrease in priority for INCLE, NADR, or FMF, and full funding under each of the four request accounts is key to overall implementation of CBSI.

Requested FY 2014 ESF funding for CBSI will address improvements to the justice sector, expand our successful community–based policing programs, and continue with essential anti-corruption programs. It will also address the root causes of crime through targeted social programs aimed at youth and vulnerable populations living in high-crime neighborhoods that are at risk for exploitation by criminal elements. INL, FMF, and NADR FY 2014 requested funding will build on past investments, continuing to strengthen Caribbean partner nation capabilities in the areas of maritime security, law enforcement, information sharing, border and migration control, transnational and financial crimes, and criminal justice.

Questions for the Record Submitted to
Secretary of State John F. Kerry by
Chairwoman Kay Granger (#21)
Subcommittee on State, Foreign Operations, and Related Programs
House Appropriations Committee
April 17, 2013

Question:

What is the strategy for U.S. assistance in Venezuela and Bolivia?

Answer:

Our strategy in Venezuela is to strengthen democratic governance, support free and fair elections and civic engagement, promote human rights, and expand civic dialogue. In Venezuela, as elsewhere in the hemisphere, we consider support to civil society organizations as one of the essential building blocks of a healthy democracy. U.S. programs worldwide are non-partisan and support internationally recognized fundamental freedoms, including freedom of expression, association, and peaceful assembly. We believe that international cooperation plays a vital role in encouraging and sustaining the important work of civil society organizations, which ultimately protects democracy and foster stability.

As a result of the difficult bilateral relationship with Bolivia, our assistance strategy is evolving and over the past several years we have reduced program support in several areas. There are, nonetheless, pressing human rights needs which we seek to address include gender-based violence, which the Morales

government recognizes, and discrimination and violence against LGBT individuals. The Department will also continue to seek areas of opportunity to increase civil society engagement.

Questions for the Record Submitted to
Secretary of State John F. Kerry by
Chairwoman Kay Granger (#22)
Subcommittee on State, Foreign Operations, and Related Programs
House Appropriations Committee
April 17, 2013

Question:

With increased repression against NGOs in places like Egypt, Russia, and South Sudan and the increasing use of NGO regulations in countries around the world as a way to suppress civic participation, what steps are you taking to protect civil society groups operating abroad? How are you ensuring compliance with the provision of section 7034(h)(3) in the State, Foreign Operations Appropriations Act, 2012, and carried in prior years that states U.S. democracy assistance shall not be subject to the prior approval by the government of any foreign country?

Answer:

We protect the ability of civil society to participate openly and freely in public life in a number of ways. In repressive states, we express our concerns about threats to civic participation regularly and through multiple channels. Our traveling principals engage host governments about restrictive actions and they raise issues involving freedom of assembly and association consistently in bilateral human rights dialogues. We highlight the relevant work of the Special Rapporteur on the rights to freedom of peaceful assembly and of association at the Community of Democracies (CD) and the UN's Human Rights Council and General Assembly sessions. For example, we are mobilizing like-minded countries to join us in publicly voicing support for the Special Rapporteur's new report on restrictions on

funding of associations and holding of peaceful assemblies, which he will present at the Human Rights Council on May 30. We also work with like-minded governments and NGOs on the CD's Working Group on Enabling and Protecting Civil Society to foster awareness and coordinate diplomatic responses on pending foreign legislation that would adversely affect civil society.

We maintain high level U.S. engagement with human rights defenders and civil society actors, including those undertaking advocacy activities that are often under the greatest threat, and regularly check in with NGO partners in difficult countries to ensure we are being responsive to their needs and to derive lessons learned in challenging environments. We document and report on the situation for human rights defenders and civil society in all foreign countries in our annual U.S. Department of State Country Reports on Human Rights Practices.

We also provide civil society groups with emergency grants, legal assistance and longer-term capacity-building assistance that strengthen their roles as watchdogs and enhances their ability to advocate on human rights. Through its contribution to and administration of the Lifeline: Embattled CSOs Assistance Fund, of which it is one of fifteen donor governments, the U.S. Government provides emergency assistance to CSOs facing harassment because of their work to promote human rights, democracy, and labor issues.

In cases where a government does not permit a group to register or otherwise secure legal status because of the group's advocacy for human rights or democratic reform, the U.S. government may engage diplomatically to address the issues that contribute to those restrictions.

Our foreign assistance works with various actors in civil society, business, governments and political parties to develop more inclusive democratic societies. We support civil society organizations and activists by strengthening their capacity to advocate for reform within suppressive contexts. We also support civil society organizations advocating for freedoms of expression, association, and assembly and we engage governments on the importance of these laws meeting their international commitments and obligations regarding human rights. We continue to press diplomatically, programmatically, and in coordination with international partners to encourage these democratic reforms and uphold these fundamental freedoms.

Questions for the Record Submitted to
Secretary of State John F. Kerry by
Chairwoman Kay Granger (#23)
Subcommittee on State, Foreign Operations, and Related Programs
House Appropriations Committee
April 17, 2013

Question

Given North Korea's unyielding pursuit of nuclear weapons and their continued belligerent behavior towards South Korea, the United States, and Japan, and their blanket disregard of U.N. sanctions, what is the justification for the language in the President's budget request for authority to provide economic support funds for programs in North Korea, "notwithstanding any provision of law"?

Answer

The President's FY2014 Budget request does not include any bilateral Economic Support Funds (ESF) for programs in North Korea. It is important, however, that the FY 2014 appropriation provides some flexibility with regard to our approach on North Korea, should substantive diplomatic progress occur. The President has therefore requested that Congress provide the State Department with the authority to use ESF to support its nonproliferation and broader security goals on the Korean Peninsula, should the situation warrant. Specifically the President has requested that "funds appropriated under the heading 'Economic Support Fund' may be made available for programs to support the goals of the Six-Party Talks, including nuclear security initiatives relating to North Korea, notwithstanding any other provision of law."

We have made clear our openness to authentic and credible negotiations with North Korea, but North Korea must take meaningful steps to abide by its commitments and obligations related to its denuclearization. We will not accept North Korea as a nuclear state.

Questions for the Record Submitted to
Secretary of State John F. Kerry by
Chairwoman Kay Granger (#24)
Subcommittee on State, Foreign Operations, and Related Programs
House Committee on Appropriations
April 17, 2013

Question:

Bilateral Economic Assistance

Are any reforms tied to existing bilateral economic assistance agreements? Please detail all agreements and funding tied to reforms.

Answer:

The United States negotiates bilateral Economic and Technical Assistance Agreements with many countries that receive U.S. assistance. These agreements govern the relationship between the two countries with regard to economic and technical assistance and provide for the appropriate privileges and immunities for United States government personnel in country implementing such assistance. The terms of the agreement are the result of a dialogue between partners and differ depending on a variety of factors, including the laws of the recipient country, needs we are trying to address, the political environment, and the operating environment. These agreements are not typically used to encourage specific assistance reforms.

In general, the United States Government does not deploy blanket conditions on assistance; these are determined on a case-by-case basis. If you have specific

questions regarding any particular bilateral program, I would be happy to work within the Department and with USAID to provide you more detailed information.

**Questions for the Record Submitted to
Secretary of John Kerry by
Chairwoman Kay Granger (#25)
Subcommittee on State, Foreign Operations
And Related Programs
House Appropriations Committee
April 17, 2013**

Question:

In light of the growing threats Israel faces and the evolving situation on the ground in the Middle East, how does security assistance ensure Israel maintains its qualitative military edge?

Answer:

The United States is committed to helping Israel maintain its qualitative military edge (QME), defined as Israel's ability to counter and defeat credible military threats from any individual state, coalition of states or non-state actors, while sustaining minimal damage or casualties. In 2008 this policy was written into law, but it has long been a cornerstone of the U.S.-Israel security relationship. This administration is closely monitoring the situation throughout the Middle East and any developments we believe pose a threat to Israel's QME will be carefully considered and responded to appropriately. We are taking full advantage of the consultative and political mechanisms currently in place to respond to and act on Israel's concerns and to ensure the region's unrest does not negatively impact Israel's QME.

The United States protects Israel's QME in a number of important ways. 1) Israel is the leading recipient of Foreign Military Financing (FMF). In FY 2013, which marked the fifth year of a 10-year $30 billion MOU, Israel received $2.94 billion in FMF, slightly less than the $3.075 billion level due to sequestration. Funding is scheduled to level out at $3.1 billion from FY2014-FY2018; 2) Israel is the only country authorized to use one-quarter of its FMF funding for domestic defense procurement, which provides significant flexibility in meeting immediate procurement needs and supporting the Israeli defense industry; 3) Israel has privileged access to advanced U.S. military equipment, such as the F-35 Joint Strike Fighter and, more recently, the MV-22 Osprey; 4) the U.S. is helping Israel develop a comprehensive air and missile defense system to provide long-range ballistic and cruise missile defense; and 5) the U.S has provided additional funding outside of State's annual FMF request to support the expansion and acceleration of the Israeli-developed Iron Dome short-range rocket defense system. In FY 2011, Congress provided an additional $205 million for the procurement of additional Iron Dome systems. On May 17, 2012, Secretary Panetta announced that President Obama directed him to provide Israel with an additional $70 million in FY2012 for this purpose. And in FY2013, Israel is on track to receive an additional $195 million for the purchase of Iron Dome batteries.

Questions for the Record Submitted to
Secretary of State John F. Kerry by
Chairwoman Kay Granger (#26)
Subcommittee on State, Foreign Operations and Related Programs
House Committee on Appropriations
April 17, 2013

Question:

What are the Administration's plans to reduce FY13 aid to Israel, Jordan, Egypt and the Palestinian Authority due to sequestration?

Answer:

Sequestration applies to all FY 2013 funds across accounts, including the Economic Support Fund (ESF) and Foreign Military Financing (FMF) accounts. Bilateral assistance for Israel, Jordan, Egypt, and West Bank /Gaza is subject to sequestration. These accounts support some of our most critical security, economic, and development partnerships.

Sequestration will impact all FMF programs, including commitments to Israel, Jordan, and Egypt. The Department has determined that sequestration applied in this way will not threaten Israel's Qualitative Military Edge.

Questions for the Record Submitted to
Secretary of John Kerry by
Chairwoman Kay Granger (#27)
Subcommittee on State, Foreign Operations
And Related Programs
House Appropriations Committee
April 17, 2013

Question:

What are the Administration's plans for extending the ten-year aid agreement with Israel?

Answer:

On March 20, the President announced that he and Prime Minister Netanyahu had agreed to begin discussions on extending the existing military assistance agreement with Israel. The current agreement runs through 2018. Discussions with the Israelis on an extension are already underway, but are in the very early stages. At this point, there is no specific plan for what extension of the agreement would entail.

Questions for the Record Submitted to
Secretary of State John F. Kerry by
Chairwoman Kay Granger (#28)
Subcommittee on State, Foreign Operations
And Related Programs
House Appropriations Committee
April 17, 2013

Question:

Do you expect discussions with Iran to resume in the near future? Do you believe that new talks can lead to changes in Iran's behavior?

Answer:

European Union High Representative Catherine Ashton is meeting with Iran lead negotiator Saeed Jalili May 15 in Istanbul to follow-up on the latest round of negotiations and discuss the way forward. The window for a diplomatic solution to international concerns over Iran's nuclear program remains open, but it will not remain so indefinitely. The United States will use all necessary elements of American power and influence to prevent Iran from acquiring a nuclear weapon. The onus is on Iran and it knows time is not unlimited. The pressure on Iran will continue to increase, providing a growing incentive for Iran to negotiate seriously.

Questions for the Record Submitted to
Secretary of State John F. Kerry by
Chairwoman Kay Granger (#29)
Subcommittee on State, Foreign Operations
And Related Programs
House Appropriations Committee
April 17, 2013

Question:

Is it still the position of the U.S. that Iran must suspend all nuclear activity, as required by UN Security Council resolutions?

Answer:

This Administration is fully committed to seeking a diplomatic resolution of concerns over Iran's nuclear program through the dual-track approach of pressure and engagement. Iran must fulfill its international obligations, including those under the relevant UN Security Council resolutions, and demonstrate to the international community that its nuclear program is exclusively peaceful. The window for diplomacy remains open, but it will not remain so indefinitely.

**Questions for the Record Submitted to
Secretary of State John F. Kerry by
Chairwoman Kay Granger (#30)
Subcommittee on State, Foreign Operations
And Related Programs
House Appropriations Committee
April 17, 2013**

Question:

Is the Administration planning to impose additional economic sanctions on Tehran?

Answer:

The United States will continue to increase the pressure on Iran as we seek a diplomatic solution to international concerns over Iran's nuclear program. We have built an international coalition to increase the economic and diplomatic pressure on Iran, and we will continue to use all existing authorities and pursue new measures to further isolate Iran.

We are committed to aggressively enforcing our existing authorities, and are considering additional measures that will support our ultimate goal of finding a peaceful solution to our concerns about Iran's nuclear program.

We robustly implement all sanctions legislation, and we are taking the necessary steps to implement the sanctions under the "Iran Freedom and Counter Proliferation Act" subtitle of NDAA 2013. These sanctions, which come into

effect in July, will send a further message to Iran that sanctions will intensify without progress at the negotiating table.

On February 6, 2013, amendments to section 1245 of NDAA 2012 went into effect. One aspect of these amendments requires the few remaining countries that import Iranian crude oil to keep the payments for those imports in bank accounts in the importing country. These countries all have significant trade imbalances with Iran, meaning that Iran does not have access to a significant amount of hard currency derived from its energy sector. Iran's mismanagement of its economy, combined with sanctions' impact, has sparked severe inflation in Iran and continues to drain its foreign currency reserves. We continue to work with our partners around the world to target Iran's access to foreign currency and continue to pursue reductions in Iran's crude oil exports.

**Questions for the Record Submitted to
Secretary of State John F. Kerry by
Chairwoman Kay Granger (#31)
Subcommittee on State, Foreign Operations,
And Related Programs
House Appropriations Committee
April 17, 2013**

Question:

Is the Administration providing support to opposition figures?

Answer:

We do not provide assistance to any political movement, party or faction in Iran. We do, however, support democratic voices in countries across the globe, and Iran is no exception. Supporting fundamental principles such as freedom of speech and freedom of assembly is one of the United States' core values.

We provide tools and training to Iranian civil society activists to preserve and expand political space where free thought and expression can flourish. We also work with activists to help strengthen their capacity to hold governments accountable by amplifying their calls for greater freedom, accountability, and rule of law. Our strategy promotes awareness and defense of internationally recognized democratic principles and rights, including both those enshrined in the Iranian constitution and those protected by Iran's international obligations. State and USAID provide capacity-building training and new media tools to help Iranian civil society amplify its efforts.

We help activists address the Iranian government's censorship activities, enabling them to access filtered content, and improve their ability to communicate with each other and the outside world. In light of the increasing level of censorship and surveillance of communications technology, the State Department will continue to support cutting-edge tools and requisite training that enhance the safe and effective use of communication technologies.

On May 30, the Department of Treasury, in consultation with the Department of State, issued a General License authorizing the export to Iran of certain services, software, and hardware incident to personal communications. This General License aims to empower the Iranian people as their government intensified its efforts to stifle their access to information.

Questions for the Record Submitted to
Secretary of State John F. Kerry by
Chairwoman Kay Granger (#32)
Subcommittee on State, Foreign Operations
And Related Programs
House Appropriations Committee
April 17, 2013

Question:

Despite increased U.S. sanctions, there are many areas where sanctions enforcement has been lacking. Could you please explain why the Administration has not sanctioned foreign shipping companies that continue to service ports operated by the Iranian Revolutionary Guard Corps, foreign airports that continue to service Iranian airlines sanctioned for sending arms and personnel to aid Assad, exchange houses, currency traders and precious metal dealers that may be helping Iran evade sanctions?

Answer:

The United States has built and led an international coalition to increase the economic and diplomatic pressure on Iran, and we will continue to use all existing authorities and pursue new measures to further isolate Iran. We have sanctioned a range of entities affiliated with Iran's proliferation activities, support for terrorism, and human rights abuses. For example, on March 14, the United States imposed sanctions on Dimitris Cambis and his companies for supporting Iran with sanctions evasion. On April 11, the United States imposed sanctions on Babak Zanjani, First Islamic Investment Bank, and other entities for their involvement in sanctions evasion. We are committed to aggressively enforcing all existing authorities, and

are considering additional measures that will support our ultimate goal of finding a peaceful solution to our concerns about Iran's nuclear program.

Questions for the Record Submitted to
Secretary of State John F. Kerry by
Chairwoman Kay Granger (#33)
Subcommittee on State, Foreign Operations
And Related Programs
House Appropriations Committee
April 17, 2013

Question:

What standard is the Administration using to determine a significant reduction in purchases of Iranian oil exports?

Answer:

As Secretary of State, I consider the totality of the relevant circumstances for each country or economy when making significant reduction determinations. Among those factors assessed, volume purchases of Iranian crude oil for each country or economy are closely examined using an interagency process that includes the Department of State, Department of Energy (including the Energy Information Administration), Department of the Treasury, and the Intelligence Community. Together, the interagency collects and assesses data from a wide range of sources, including publicly-published trade and industry reports and information from our embassies and posts in host countries.

Questions for the Record Submitted to
Secretary of State John F. Kerry by
Chairwoman Kay Granger (#34)
Subcommittee on State, Foreign Operations, and Related Programs
House Appropriations Committee
April 17, 2013

Question:

What is the Montreal Protocol's Multilateral Fund (MLF) total budget for fiscal years 2012, 2013 and 2014 in total and broken out by donor?

Answer:

The full budget for the Montreal Protocol's Multilateral Fund (MLF) for the timeframe of calendar years 2012-2014 totals $450 million. Here is a link to contributions called for at the 23rd Meeting of the Parties to the Protocol in November 2011 that the United States meets on a voluntary basis:

http://ozone.unep.org/new_site/en/Treaties/treaties_decisions-hb.php?nav_id=134

Questions for the Record Submitted to
Secretary of State John F. Kerry by
Chairwoman Kay Granger (#35)
Subcommittee on State, Foreign Operations, and Related Programs
House Appropriations Committee
April 17, 2013

Question:

Please provide an accounting of how the U.S. contribution to the MLF was allocated among administrative functions and projects for fiscal years 2012, 2013 and 2014 (estimated).

Answer:

The U.S. contribution to the Montreal Protocol Multilateral Fund is provided as an aggregate contribution to the Fund. It is not earmarked for a specific program or activity.

Questions for the Record Submitted to
Secretary of State John F. Kerry by
Chairwoman Kay Granger (#36)
Subcommittee on State, Foreign Operations, and Related Programs
House Appropriations Committee
April 17, 2013

Question:

How much of the MLF project budget was for methyl bromide transition projects in fiscal years 2012, 2013 and 2014 (estimated) and how much of the U.S. contributions were allocated to these projects? Please include a list of methyl bromide transition projects for each fiscal year and a list of countries that have applied for transition assistance but have not yet received funding?

Answer:

In order to estimate how much of the Montreal Protocol's Multilateral Fund (MLF) budget was used for methyl bromide transition projects in fiscal years 2012 and 2013, we reviewed approvals of methyl bromide projects during that timeframe. A total of $6.1 million of methyl bromide projects have been approved for FY 2012 and FY 2013 combined. This represents approximately 2.4% of the total MLF budget for FY 2012 and 1.73% for FY 2013, though additional methyl bromide projects may be approved in FY 2013. U.S. contributions are provided to the Multilateral Fund itself, not to specific projects or programs supported by the Fund. We are unable to estimate a budget for methyl bromide transition projects for the remainder of FY 2013 and FY 2014 at this time.

In fiscal year 2012, methyl bromide transition projects or tranche disbursements were approved in the following countries: China, Ecuador, Kenya, Mexico, Trinidad and Tobago, and Vietnam. In fiscal year 2013, methyl bromide transition projects or tranche disbursements were approved in Chile, Costa Rica, Guatemala, Mexico, and Yemen. We are not currently aware of any countries that have applied for transition assistance but have not received funding.

Questions for the Record Submitted to
Secretary of State John F. Kerry by
Chairwoman Kay Granger (#37)
Subcommittee on State, Foreign Operations, and Related Programs
House Appropriations Committee
April 17, 2013

Question:

Have any audits or other assessments been conducted regarding the individual methyl bromide transition projects? If so, please provide copies or website links. What steps has the Department taken to ensure that any funds provided by the MLF for methyl bromide transition projects were used in accordance with program and project requirements?

Answer:

Individual methyl bromide transition projects funded by the MLF are reviewed by the MLF's Executive Committee. After approval of a project and disbursement of the initial funding tranche, disbursement of further funding tranches within the approved amount depends on the submission of and review of progress reports and demonstration of achievement of milestones.

In addition, the Executive Committee reviews the status of compliance of countries that have received assistance from the MLF and that are subject to the Montreal Protocol's control measures, including those related to methyl bromide. The Executive Committee also reviews data on the implementation of programs, including an analysis of the ozone-depleting substances consumption data. The most recent document on status reports and compliance that was considered by the

Executive Committee at its meeting April 15-19, 2013 is available here: http://www.multilateralfund.org/69/English/1/6905.pdf. The report notes that all countries that received assistance from the MLF are in compliance with their methyl bromide compliance target.

In addition to the Executive Committee's regular reporting on status and compliance, it also engages in program monitoring and evaluation, including having a Senior Monitoring and Evaluation Officer who regularly apprises the Committee of her findings. The Executive Committee's 2012 monitoring and evaluation program included an evaluation of methyl bromide projects in Africa. The evaluation included a desk study and a field study, both aimed at assessing the sustainability of the methyl bromide phase-out achieved in Africa to date. Reports from those two stages are available here:

Desk study: http://www.multilateralfund.org/66/English/1/6615.pdf

Field study: http://www.multilateralfund.org/68/English/1/6811.pdf

A similar two-stage evaluation of methyl bromide projects was also conducted in 2005 and is available here: http://www.multilateralfund.org/sites/46/Document%20Library2/1/4607.pdf.

According to the latest data, global consumption of methyl bromide for controlled uses has declined by over 90% of the Montreal Protocol baseline, with significant further progress expected in the next two years. The ability of the MLF

to help countries transition from methyl bromide is reflected in an evaluation of the financial mechanism of the Montreal Protocol that was completed last year. That evaluation found that MLF activities have been successful in phasing-out consumption and production of ozone-depleting substances across multiple chemical groups, including methyl bromide. The evaluation notes that up to 30 countries may need to make additional reductions in coming years to comply with the methyl bromide phase-out. The evaluation is available here: http://conf.montreal-protocol.org/meeting/mop/mop-24/presession/Information%20Documents/MOP-24-INF-4.pdf

As part of its role on the Executive Committee, the Department reviews every methyl bromide project proposal that is put forward, and monitors all progress reports, status updates, work programs, and project completion reports to ensure that projects and programs are formulated and implemented in an appropriate and cost-effective manner to implement methyl bromide obligations under the Protocol.

Questions for the Record Submitted to
Secretary of State John F. Kerry by
Representative Nita Lowey (#1)
Subcommittee on State, Foreign Operations
And Related Programs
House Appropriations Committee
April 17, 2013

Question:

The FY 2014 request includes a more than $20 million reduction in the FY 2014 request for Educational and Cultural Exchanges. These programs are on the frontline of United States' public diplomacy efforts and offer new avenues of engagement with people around the world. How will the State Department prioritize the programs under this decreased request? One of the few programs to get an increase is the Fulbright Program. What aspects of Fulbright make it preferential to the other programs that were decreased or even zeroed out altogether?

Answer:

The Department agrees that educational and cultural exchanges are on the frontline of U.S. public diplomacy efforts. The President's FY 2014 request reflects the current fiscal environment, placing a priority on programs that most directly support foreign policy goals; include robust participation of youth, women, minorities, and underserved communities; and advance America's global competitiveness. The Bureau of Educational and Cultural Affairs' (ECA) request was carried out in close consultation with our embassies, the regional policy bureaus of the State Department, and our partners in the non-governmental and

academic communities. In addition, factored into the request are the results of independent program evaluation data.

Nearly all of ECA's programs were reduced in the FY 2014 request, including the Fulbright Program. Regional Graduate Fellowships were consolidated under the Fulbright Program line at a level of $12 million. Restructuring ECA's budget lines through this consolidation results in a Fulbright Program budget request in FY 2014 that is actually $10 million below FY 2012 levels. This reduction was made in effort to adapt to the current fiscal realities while maintaining the strength of our flagship program, which is critically important to bilateral relations and enhancing people-to-people ties.

Question for the Record submitted to
Secretary of State John Kerry by
Congresswoman Nita Lowey (#2)
Subcommittee on State, Foreign Operations
And Related Programs
House Appropriations Committee
April 17, 2013

Question:

I am very concerned about the situation in the Sahel region of Africa, including in Mali, and how the international community can effectively respond. The challenges are multidimensional – security, humanitarian, and diplomatic. Much of this area is essentially ungoverned and not just lacking basic security but any kind of social services which drive extremism. The international response thus far has been focused on military intervention to the neglect of important civilian capacities that will be necessary to build secure, capable states. What progress has been made in getting the government of Mali back on its feet and on a sustainable path toward elections? What plans are being discussed at the United Nations and with our allies on the assistance and civilian capacity that will be needed alongside any peacekeeping mission?

The U.N. Security Council recently received a report that weapons from Libya have already spread across Western Africa, the Middle East, including Syria, and into the Horn of Africa. The report states that most of these are arms that are flowing to non-state actors, like the militia groups that threaten northern Mali. How is the U.S. combating the flow of arms out of Libya? Is there more that could be done to assist the Libyan government with the control of their borders? How can we help neighboring governments track these illegal flows and prevent further destabilization?

Answer:

The transitional Malian government has pledged its commitment to hold inclusive, free and fair democratic elections in July. While much work remains to ensure adequate preparation for the elections, the United States is committed to supporting the Malian government's efforts to hold elections on schedule, and the

transitional government has taken important steps to organize elections in July. Working with our international partners, we continue to urge the transitional Malian government to press ahead with its efforts to update its voter list, register voters in refugee camps and among internally displaced populations, set up polling stations, and address the other challenges that remain in organizing elections.

Mali is still subject to the post-coup legal restriction in section 7008 of the Department of State, Foreign Appropriations, and Related Programs Appropriations Act for 2012, which restricts assistance to the government. This restriction will remain in effect until the Secretary determines and certifies to the Committees on Appropriations that a democratically elected government has taken office in Mali. In the meantime, we have continued democratic elections support programming, which is exempt from the legal restriction. We are providing technical and other support to elections efforts in Mali, which includes more than $6 million in electoral programming that we will provide to support progress on key issues such as voter education, technical assistance and training to the electoral management bodies, and national reconciliation. We are also actively encouraging the governments of neighboring countries hosting Malian refugees to cooperate fully with the transitional Government of Mali officials as they seek, with assistance from relevant international organizations, to register voters and establish polling stations in refugee camps to ensure that displaced Malians have the opportunity to vote in the upcoming elections.

We continue to work with our partners in the international community to support elections and help Mali build the institutional capacity necessary to return peace and stability to Mali. The United States recently co-sponsored UN Security Council Resolution 2100 (2013), which was adopted unanimously by the Council on April 25 and which established the United Nations Multidimensional Integrated Stabilization Mission in Mali (MINUSMA). This resolution emphasizes the importance of a dual-track political and security strategy to resolving the country's inter-linked crises. It also underscores the importance of democratic transition, national reconciliation, accountability, and respect for human rights. The UN Office in Mali, which is assisting the interim authorities of Mali in implementing the transition road map, including preparing for elections this summer, will be subsumed into MINUSMA in the coming weeks to continue these tasks under the umbrella of a single, integrated UN mission. MINUSMA will provide robust support for political track and the civilian capacity that will be necessary alongside military efforts. This support will include technical assistance on electoral issues, and human rights monitors, and assistance to inclusive national reconciliation efforts. The United States will be a major contributor to MINUSMA through our assessed contributions for UN peacekeeping.

In terms of Libya, the United States, in coordination with the UN Special Mission in Libya (UNSMIL), has committed approximately $40 million since 2011 to secure

and disable Qadhafi-era weapons stockpiles, particularly man-portable air defense systems (MANPADS), throughout Libya and improve border security management along Libya's long, porous borders. Since April 2012, the State Department has also provided physical security upgrades to secure Libya's Qadhafi-era chemical weapons stockpile, and is now coordinating closely with the Department of Defense and Libyan Government to facilitate destruction of the remaining chemical weapons

We continue to consult with governments in the region to determine how best to assist them as they address any destabilizing forces within their borders. Our ongoing assistance has helped these governments in their efforts to prevent weapons from flowing into their countries and empowering violent extremists. Niger and Chad are taking steps to deal with arms proliferation and trafficking out of Libya as well. Working closely with Algeria, Niger has been able to interdict the flow of arms from Libya to Mali by making excellent use of the U.S. provided assistance in the form of communications, mobility, information, and logistics support. Chad has utilized its U.S.-trained and -equipped counterterrorism unit to bolster the border with Libya to interrupt arms trafficking there.

Questions for the Record Submitted to
Secretary of State John F. Kerry by
Representative Nita Lowey (#3)
Subcommittee on State, Foreign Operations
And Related Programs
House Appropriations Committee
April 17, 2013

Haiti

Question:

a. Haiti has been a shared State Department/USAID responsibility following the earthquake and despite high-level attention, it is difficult to see the progress that is being made. According to the last report, just over 50% of the funds made available for Haiti reconstruction through FY 2012 have been disbursed. Given the overwhelming needs in the country, why have we not been able to move faster?

b. I appreciate the efforts to involve the Haitian government and follow their lead in the reconstruction efforts. Has the government been able to take a leadership role? There were another string of resignations last month, including the Finance Minister, and parliamentary elections are long overdue. How are governance challenges affecting the development progress?

Answer:

a.

As of March 31, 2013, 100 percent of the $1.3 billion the U.S. provided for humanitarian relief following the earthquake has been disbursed. Of the $2.3 billion currently available for recovery, reconstruction and development assistance (including debt relief), more than $1.3 billion has been disbursed. Thus, of the $3.6 billion committed to Haiti since the earthquake, some 72 percent has been disbursed.

As we evaluate our assistance and look for areas for improvement, we have addressed many of the obstacles on our side, such as bringing staffing up to needed levels and providing additional procurement resources. Programming is accelerating. Responsible implementation has time constraints as it requires feasibility studies, consultations with government entities and local communities, and environmental studies.

While the assistance the United States is providing today is not always immediately apparent, the investments we are making will be lasting and are already improving the lives of Haitians. The USG has cleared 2.7 million cubic meters or 27 % of the total amount of rubble from the earthquake. Approximately 77% of the displaced persons in camps have departed for alternative housing, and USG programs have helped 65,700 households to obtain shelter. Caracol Industrial Park -- developed in partnership with the Government of Haiti, the Inter-American Development Bank and the USG -- has already created more than 1,300 jobs in Haiti's north and is expected to generate some 20,000 jobs over the next five years.

b. As committed as we are to Haiti, the success that can be achieved is ultimately in the hands of the Haitians themselves. For Haitians to be able to take the lead, the United States and other donors are promoting programs that equip

key Haitian ministerial and government institutions with the capacity they need to manage funds, people, projects and procurement. The process to build capacity in Haiti's governmental and non-governmental sectors requires a long-term commitment.

Our programs are structured to assist the ability of Haiti's leaders to foster a political, societal and economic environment conducive to economic development and prosperity. In our view, we have good partners in President Martelly, in Prime Minister Lamothe, and in many members of the Haitian Parliament, leaders who are committed to making tangible improvements in the lives of the citizens they serve.

Questions for the Record Submitted to
Secretary of State John F. Kerry by
Representative Nita Lowey (#4)
Subcommittee on State, Foreign Operations
And Related Programs
House Appropriations Committee
April 17, 2013

Question:

a. The Administration is repeating the request for a Middle East and North Africa Incentive Fund to provide assistance to respond to emerging opportunities and crises to countries undergoing transitions in the Middle East and North Africa region. The account is supposed to provide incentives for long-term political and economic reform, yet the request is more in the line of "contingency" or undesignated funding. The State Department already has the necessary flexibility to address such opportunities bilaterally, regionally, or through contributions to multilateral initiatives. What can you not do with your current transfer and reprogramming authorities? Can you tell the Committee what opportunities were lost? What oversight mechanisms do you plan to put in place to monitor and evaluate MENA Incentive Fund programs?

b. Please provide some examples of possible projects that could be funded by the MENA Incentive Fund. How are these projects different from MEPI?

c. Do you believe the United States should provide aid to Egypt given the recent inflammatory statements of President Morsi, the lack of prosecution of sexual violence and economic upheaval? How should we be targeting our assistance more effectively?

Answer:

a. The Middle East and North Africa Incentive Fund (MENA-IF) is not only meant for contingency purposes. Two thirds of the fund will be focused on longer-term governance, security/justice sector, or economic reform. By partnering with governments to support longer-term reform, MENA-IF is unique from MEPI. The Middle East Partnership Initiative (MEPI) supports reform from the bottom up, responding to new opportunities to support local actors, outside the context of bilateral agreements with governments. The entry-point for a country to access MENA-IF resources would be government-backed reform plans made public to citizens, supported by U.S. resources for high-impact initiatives and programs, with mutual commitments and conditions for support. Performance would be measured against mutually agreed benchmarks included in the reform plans, with civil society monitoring progress. All monitoring and evaluation efforts associated with MENA-IF will be aligned with the Department of State's and USAID's rigorous policies requiring evaluation of projects/programs using internationally accepted evaluation standards.

Our ability to capitalize on the opportunities and address the challenges presented by the Arab Awakening requires both new resources and new methodologies to encourage reformers in the region moving to undertake the

political, security sector, and economic reforms that respond to citizen demands. Bilateral funding in the region is being reassessed to meet new requirements, and existing programs are being better recalibrated to meet emerging needs; however, ongoing security commitments and challenges remain that also need to be funded.

Without a MENA-IF, we will have to reprogram funding from other programs to respond to ongoing needs in Syria and elsewhere. Over the last two years, we worked to mobilize $1.8 billion in response –to needs in Egypt, Tunisia, Libya, Syria, Yemen, and Jordan. This includes more than $1 billion that we moved from programs around the world, making hard tradeoffs to meet the needs in the Middle East and North Africa. This has imposed opportunity costs on other programs that we cannot continue to absorb. Most of the funds made available, such as those available due to our glide path in Iraq and challenges with Pakistan, have been exhausted; further requirements will begin to impose even greater strain on our resources and may force tradeoffs among other priority programs. While we have relied on savings from Front Line States in FY 2012, these will be less and less available as those budgets are normalized.

b. Without the MENA-IF as a separate account, we do not have the flexibility to respond to actual needs, which could emerge in any country and for a range of programs from economic crises to security sector reform to peacekeeping operations. We are limited by where we can find money and the authorities tied to those funds. Without the MENA-IF, we will have limited policy tools and funding to respond only to the most urgent crises; we will not have other funding to make available to incentivize difficult economic reforms with a longer term commitment. With a MENA-IF, we will have funding targeted to promoting our long-term strategic interests in transition countries in an important region for our interests.

We need these requested authorities to remain engaged in the reform process that are requested for MENA-IF. For example, with the authorities requested in the MENA-IF, we would be able to provide loan guarantees or debt relief, depending on the fiscal support needs of the government, which are more cost effective than direct transfers.

c. We provide assistance to Egypt because it is in the United States' interest to do so. We have important shared interests in our relationship with Egypt: Egypt's transition to democracy, Egypt's economic success, and the advancement of regional security, including upholding the peace treaty between Egypt and Israel. Our assistance is provided to strengthen our partnership and further our strategic interests with a country that is central to Middle East peace and stability. For over 30 years, Egypt has been an important partner for the United States in maintaining Middle East peace - a role it continues to this day. Our assistance is a critical factor in sustaining that role.

We continue to emphasize privately and publically the importance of reforms to protect the political, economic, religious freedoms, and human rights of the people of Egypt. We also continue to urge the Egyptian government, other political leaders, civil society leaders, and the Egyptian public to build consensus to implement necessary reforms to reach an IMF agreement at the earliest opportunity. In our meetings with Egyptian officials in Cairo and Washington, we continue to urge Egyptian leaders to get Egypt's economic house in order, reduce subsidies, address its growing public debt, bring back domestic and foreign investment, and rebuild its economy.

On January 17, 2013, the Egyptian Presidency issued a statement rejecting all forms of discrimination and incitement to violence or hostility on the basis of religion. This statement was an important first step to make clear that the type of offensive rhetoric we saw is not acceptable or productive in a democratic Egypt. We look to President Morsy and Egyptian leaders to demonstrate in both word and deed their commitment to religious tolerance and to upholding Egypt's international obligations.

Since the revolution, the Department and USAID have sought to reorient our foreign assistance resources to meet emerging needs arising from Egypt's economic challenges and in support of a peaceful democratic transition while continuing to support our enduring security and regional peace and stability interests. We have targeted assistance to help address some of the critical issues you have identified, such as protection of civil society, minorities, the advancement of the rule of law, which are priorities for the Administration. For example, USAID is working with Alexandria's Chamber of Commerce to assist more than 3,700 small and medium sized businesses open a business through streamlined procedures, to help promote job creation and private sector growth. We plan to initiate a new program to help combat sexual

violence by engaging the Ministry of Interior and other government officials to improve the quality of investigations and prosecutions of sexual assault and harassment cases.

Questions for the Record Submitted to
Secretary of State John F. Kerry by
Representative Nita Lowey (#5a)
Subcommittee on State, Foreign Operations
And Related Programs
House Appropriations Committee
April 17, 2013

Question:

Iran's threat to the Middle East is real and growing. Iranian leadership is dominated by hardliners whose pursuit of nuclear weapons and support for terrorism through Hamas and Hezbollah make Iran a threat to U.S. national security. Recent talks with Iran in Kazakhstan did not seem to achieve any progress toward curbing their nuclear ambitions. While sanctions seem to be having an impact on the Iranian economy, is there evidence that the regime is seriously interested in ending or even delaying its nuclear program? What is the status of future negotiations with the Iranians? What ways is the Administration planning to increase the pressure on Iran? Are additional economic sanctions on Tehran being considered? Will there be a deadline on future negotiations? In order for Iran to receive relief from U.S. sanctions what steps must Tehran take?

Answer:

This Administration is fully committed to seeking a diplomatic resolution of concerns over Iran's nuclear program through the dual-track approach of pressure and engagement. Iran must demonstrate to the international community that its nuclear program is exclusively peaceful. Iran has not done so yet. EU High Representative Catherine Ashton is meeting with Iran lead negotiator Saeed

Jalili May 15 in Istanbul to follow-up on the latest round of negotiations and discuss the way forward.

The United States will continue to increase the pressure on Iran as we seek a diplomatic solution. We will continue to use all existing authorities and pursue new measures to further isolate Iran. We are taking the necessary steps to implement sanctions under the "Iran Freedom and Counter-Proliferation Act," contained in the 2013 National Defense Authorization Act. These sanctions, which come into effect in July, will send a further message to Iran that sanctions will intensify without progress at the negotiating table.

A successful outcome would require Iran to fulfill its international obligations and take the steps necessary to provide confidence to the international community that its nuclear program is devoted exclusively to peaceful purposes. The window for diplomacy remains open, but it will not remain so indefinitely.

Questions for the Record Submitted to
Secretary of State John F. Kerry by
Representative Nita Lowey (#5b)
Subcommittee on State, Foreign Operations
And Related Programs
House Appropriations Committee
April 17, 2013

Question:

How important has multilateral engagement at the UN been in helping to isolate Iran and forge an international consensus regarding its nuclear program?

Answer:

We have built and led a global coalition to create the toughest, most comprehensive sanctions to date on the Iranian regime. Multilateral engagement at the United Nations has been critical in driving this effort. Our UN efforts, which have led to the adoption of four Security Resolutions on Iran under Chapter VII of the UN Charter since 2006, have underscored the international consensus on preventing Iran from acquiring a nuclear weapon and persuading it to address international concerns over the nature of its nuclear program. The UN Security Council Resolutions provide the international community with authorities to counter Iran's illicit activities, including restricting its access to technology and funding for its nuclear and ballistic missile programs.

Our multilateral efforts at the United Nations' International Atomic Energy Agency have also been key in further isolating Iran. We continue to support the IAEA's investigation into the possible military dimensions of Iran's nuclear program. Following the release of the IAEA Director General's November 2011 report on the possible military dimensions of Iran's nuclear program, the United States undertook a successful diplomatic campaign in support of a resolution at the IAEA Board of Governors. The November 2011 IAEA Board of Governors adopted by an overwhelming majority a resolution condemning Iran's lack of cooperation. Since then, we have worked with our P5+1 partners to deliver a joint statement on Iran in March 2012 and worked successfully for a second resolution at the September 2012 Board of Governors. We will continue to bolster our multilateral efforts in an array of forum to increase the pressure on Iran to address the international community's concems over its nuclear program.

Questions for the Record Submitted to
Secretary of State John F. Kerry by
Representative Nita Lowey (#5c)
Subcommittee on State, Foreign Operations
And Related Programs
House Appropriations Committee
April 17, 2013

Question:

Can you speak to the internal dynamics in Iran? Have international sanctions had an effect on the internal politics of Iran? What are your expectations for the upcoming Iranian elections? How is the State Department providing support human rights activists in Iran and abroad?

Answer:

Iranian authorities have since 2009 engaged in a systematic campaign to stifle all forms of dissent, oppressing nearly all elements of civil society, including leaders and members of the Green Movement. Such repression has also targeted students, labor leaders, journalists and bloggers, ethnic and religious minorities, human rights defenders, and environmental activists. After years of such tactics, which has included arbitrary detentions, unfair trials lacking due process, harassment, and intimidation, Iran's civil society has been greatly oppressed.

We have also witnessed Iranian efforts to curtail freedom of expression prior to the election. Authorities have arrested nearly two dozen journalists since the beginning of the year, closed several newspapers, and blocked Internet sites

and jammed satellite signals. We anticipate that such activities will continue and likely increase in severity until the June 14 election.

The Administration will be closely monitoring Iran's presidential elections, mindful of both the violence against peaceful demonstrators in 2009 and the remarkable events that have swept through the region in the last four years. It is too soon to judge the outcome of the contest, as the final slate of candidates is not yet known. However, we and our international partners will urge authorities to conduct a free and fair electoral process that not just conforms to internationals standards of transparency and accountability, but also reflects the will of the Iranian people.

Supporting fundamental principles such as freedom of speech and freedom of assembly is one of the core values of the United States. We support democratic voices in countries across the globe, and Iran is no exception. This is why we continue to draw attention to Iran's deplorable human rights record using a wide range of diplomatic tools, including:

- Provide capacity-building training and new media tools to help Iranian civil society to amplify its calls for greater freedoms, accountability, transparency, and rule of law;

- Leading an international effort to establish and renew the mandate of the Special Rapporteur at UN Human Rights Council;

- Co-sponsoring the Canadian-led resolution on Iran's human rights situation for the past nine years;

- Designating 30 Iranian officials and entities for serious human rights abuses and censorship activities that limit freedom of expression; and,

- Detailing Iran's human rights abuses in high level statements, the annual Country Report on Human Rights Practices, and the annual Report to Congress on International Religious Freedom.

Questions for the Record Submitted to
Secretary of State John F. Kerry by
Representative Nita Lowey (#5d)
Subcommittee on State, Foreign Operations
And Related Programs
House Appropriations Committee
April 17, 2013

Question:

In December, Secretary Clinton renewed an exemption to our Iran sanctions, which targeted Chinese financial transactions with the Central Bank of Iran, citing a significant reduction in Beijing's purchases of Iranian oil. I was extremely surprised by the decision, as the publically available data showed no such reduction had taken place. What is the current status of overall Iranian oil exports and specifically to China, India and Turkey? How is the State Department working with our international partners – particularly China and India – to ensure their compliance with sanctions? What are the consequences for major buyers of Iranian oil if they fail to comply with U.S. sanctions? What qualifies as a "significant reduction?" What steps is the U.S. taking to persuade the E.U. to stop allowing Iran to conduct transactions in Euros? What other steps is the Administration considering with the Europeans and other willing countries to ensure Iranian compliance and prevent further nuclear enrichment?

Answer:

We carefully monitor classified and unclassified data sources in making significant reduction exceptions recommendations to the Secretary of State. At this point it would be premature to speculate whether China, India, or Turkey's purchases over the current period would qualify it for a significant reduction exception renewal. I will caution that import numbers can vary significantly from month to month, depending on the time of year and when tankers arrive in ports.

We continue to work with all purchasers of Iranian oil, including China and India, to implement sanctions targeting Iran's oil revenues fully, while simultaneously working with other oil producers to encourage them to increase their production and development of their respective production capacities.

If purchasers of Iranian oil fail to comply with U.S. sanctions and significantly reduce their oil purchases from Iran, Section 1245 of the 2012 National Defense Authorization Act could make sanctionable certain significant financial transactions between foreign financial institutions and the Central Bank of Iran (CBI), including for oil purchases.

As Secretary of State, I review a wide variety of sources in evaluating whether an individual country has met the NDAA significant reduction threshold. There is no uniform standard that works in all situations. In some cases, a smaller percentage reduction may be a greater volume reduction.

We continue to consult with the European Union on tightening financial sanctions on Iran. The European Union has been a significant partner in our effort to pressure Iran to fulfill its international nuclear obligations, including in limiting Iran's access to the international financial system. We engage with our European counterparts on a regular basis to ensure that our sanctions goals are aligned.

The United States has built and led a global coalition to create the toughest, most comprehensive sanctions to date on the Iranian regime. We will continue to

robustly implement all U.S. sanctions and work with our international partners to tighten enforcement of existing sanctions and identify new sectors and authorities where we can apply additional pressure.

Questions for the Record Submitted to
Secretary of State John F. Kerry by
Representative Nita Lowey (6a)
Subcommittee on State, Foreign Operations
And Related Programs
House Appropriations Committee
April 17, 2013

Question:

The military transition in Afghanistan will begin this year in earnest. But contrary to what we saw in the aftermath of Iraq, it appears that civilian resources are also declining in anticipation of the military drawdown. Significant investments are still planned in governance, economic growth, and agriculture. As the tragic attack on State Department officers delivering school supplies reminds us, security remains very tenuous. How does the State Department plan to implement and monitor these programs under tight security and limited ability to travel around the country?

Answer:

a. As our military and civilian footprint reduces through Transition, we recognize the potential need for enhanced and innovative monitoring of civilian projects and are planning accordingly. The Department of State has developed an interagency plan for post-transition monitoring and oversight to ensure assistance funds are used only for their intended purposes, achieving sustainable results, and protected from corruption. As this policy is implemented, our staff in Kabul is reviewing the post-transition monitoring and oversight needs of each civilian assistance program that will continue to operate in Afghanistan after the security

transition and developing tailored plans to provide oversight officers with adequate information to effectively monitor their programs. Oversight in the post-transition environment, where U.S. officials will have less access to project sites, will be achieved by employing a series of information collection techniques including the use of third party contract monitors, communications with community elders, crowd-sourcing using mobile telephone technology, surveys of recipient communities, and the use of various imagery and global positioning technologies. These techniques will build upon existing oversight and accountability procedures including USAID' s "Accountability for Afghanistan Assistance (A3)" initiative. We are currently piloting the new layered approach to monitoring, combining third party monitors and community feedback, in four different projects in four provinces of Afghanistan. The results of these pilot programs will help us to refine our monitoring techniques before the security transition. We will continue to evaluate our ability to provide proper oversight and protect U.S. tax dollars as we move forward and will adjust our programs as needed.

Question for the Record submitted to
Secretary of State John Kerry by
Congresswoman Nita Lowey (6b)
Subcommittee on State, Foreign Operations
And Related Programs
House Appropriations Committee
April 17, 2013

Question:

A news report recently titled an Afghan provincial minister of women's affairs "the most dangerous job in the country" because the two previous occupants were assassinated. Women are jailed from running away from abusive homes and perpetrators of sexual violence are rarely prosecuted. How are we supporting brave Afghan women working to change their country? How can we make sure the gains they have made are not reversed once the last soldier leaves?

Answer:

With the tireless efforts of Afghan women and consistent support from the international community, Afghanistan has made significant progress toward realizing the potential of women and girls in all aspects of society. Girls now make up more than a third of enrolled students throughout the country. Women are represented in parliament and on provincial councils, and businesswomen and female entrepreneurs are playing a key role in the economic development of their country. Life expectancy for women has risen from 44 years in 2001 to 64 years today, and female activists are actively advocating for social justice and seeking a peaceful resolution to the Afghan conflict. However, the progress that has been made is fragile and challenges still remain.

Given the importance of this issue, the United States has made consistent and concerted efforts to integrate women's rights into its overall policies and strategy in Afghanistan. Our concerns about Afghan women's rights have not only been at the top of the agenda for our own policies and programs, but we have repeatedly and consistently reminded and encouraged President Karzai, and Afghanistan's civilian sector and security leaders to promote women's rights and to incorporate gender issues into all aspects of their government's policies. U.S. Embassy Kabul recently adopted a new "Gender Strategy" that highlights the need to mainstream gender issues into all of our policies and programs through transition and the transformation decade. The gender strategy focuses mission-wide resources on five key areas: health, education, economic development, leadership opportunities, and security and access to justice, which are consistent with the five cross-cutting priorities of UNSCR 1325 on Women, Peace, and Security. In implementing the strategy, we not only measure the effectiveness of USG programs in these areas, but also track overall progress and/or backsliding in key priority areas. Implementation of this strategy will also help to ensure that women are not disproportionately affected by any decreases in U.S. funding in Afghanistan.

The United States remains committed to supporting Afghan women and girls and is implementing two major programs to strengthen their role in Afghan society beyond 2014. The "PROMOTE" project is a multi-year standalone program to promote opportunities for educated Afghan women in the private sector and in government service. The United States will also continue to provide direct support to the Afghan Ministry of Women's Affairs (MOWA) to improve its capacity for public outreach and implementation of laws to protect Afghan women and girls.

While the Department of State and USAID administer the majority of women's initiatives in Afghanistan, the Department of Defense (DoD) has the lead for women's issues related to Afghan National Security Forces (ANSF) development. We are working closely with DoD to ensure that the ANSF has adequate training on gender issues, the Elimination of Violence Against Women (EVAW) law, and that security institutions are equipped to ensure women's rights are protected. An immediate priority is improving the recruitment of women into the ANSF, their status and treatment within the ANSF, and the ANSF's treatment of female civilians across Afghanistan. ISAF, the Afghan Ministry of Defense (MoD) and Ministry of Interior (MoI) have a large number of programs aimed at protecting women's rights and promoting women in the ANSF. For example, the

MoD recently stood up the Human Rights and Gender Integration Directorate, which will coordinate an enhanced Afghan National Army (ANA) recruiting plan for women and will provide better oversight of female integration issues within the MoD. Support from Afghan leadership is essential. We will continue to press forward with high level and working level diplomacy to encourage the Afghan government to make progress in this critical area.

The United States will continue to prioritize promoting Afghan women's rights to ensure that the positive gains made since 2001 are not reversed. Security for women and safeguarding their rights through the implementation of Afghan laws protecting their human rights, such as the EVAW law, will be vital as the United States and international community gradually withdraws.

Questions for the Record Submitted to
Secretary of State John F. Kerry by
Representative Nita Lowey (6c)
Subcommittee on State, Foreign Operations
And Related Programs
House Appropriations Committee
April 17, 2013

Question:

Please give an update on the Afghanistan peace talks. Is a political settlement viable with the Taliban? Will the Taliban renounce violence, accept Afghanistan's constitution and break ties with al-Qaida? Are these still the benchmarks that must be met before talks can begin? Is there a push for some kind of partition of Afghanistan that would allow for the Taliban to have control of what has been reported as "its historical southern heartland"?

Answer:

In January, the President and President Karzai reaffirmed that Afghan-led peace and reconciliation is the surest way to end violence and ensure lasting stability of Afghanistan and the region. They stressed the importance of accelerating these efforts, including by countries in the region that have a role to play in support of the Afghan peace process. The Presidents said that they would support an office in Doha for the purpose of negotiations between the High Peace Council and the authorized representatives of the Taliban.

The United States has long held that, as a part of the outcome of any process, the Taliban and other armed opposition groups must end violence, break

ties with Al Qaida, and accept Afghanistan's constitution including its protections for women and minorities.

The United States does not seek, and would not support, the partition of Afghanistan. We share the goal of a stable, peaceful, and unified Afghanistan.

Questions for the Record Submitted to
Secretary of State John F. Kerry by
Representative Nita Lowey (#7)
Subcommittee on State, Foreign Operations
And Related Programs
House Appropriations Committee
April 17, 2013

Question:

The Administration has been reticent to provide lethal equipment to the opposition in Syria. Is the Administration considering changing course and providing the opposition with lethal support to bolster the more pro-western elements of the military opposition coalition? While there is no guarantee that one weapon or another might not, at some point in time, fall into the wrong hands, is there any conceivable outcome or event that would cause the Administration to support giving weapons to the opposition? How do we stop Iran, Hezbollah and others from providing weapons to Assad?

Answer:

While this administration continues to take a hard look at every available, practical, and responsible means to end the suffering of the Syrian people, we do not believe at this time that it is in the United States' or the Syrian people's best interest to provide lethal support to the Syrian opposition. Our calculation must take into account the long-term human, financial, and political costs for us, Syria, and the region. We continue to believe that a political solution to the crisis is the best way to save the Syrian people further suffering and to avert further destruction of the country, for which the regime bears overwhelming responsibility.

Moreover, the opposition needs more than just weapons to bring change to Syria. What they need is better organization and a compelling post-Asad plan – which we are helping them with. They need to expand their capacity to deliver goods and services to help meet the needs of the Syrian people and to compete with the extremists. We are helping them with that, too.

Regarding weapons going to the regime, as I made clear in Baghdad, the overflights from Iran are helping to sustain President Asad and his regime and prolonging the fighting. We are encouraged by reports that the Government of Iraq has been inspecting some Iranian aircraft flying through its airspace. This would be a positive step that needs to be followed up consistently with unannounced, credible inspections to ensure Iraqi airspace is not used to rearm Asad and facilitate his assault upon the Syrian people.

Questions for the Record Submitted to
Secretary of State John F. Kerry by
Representative Nita Lowey (#8)
Subcommittee on State, Foreign Operations
And Related Programs
House Appropriations Committee
April 17, 2013

Question:

The potential spillover effects of continued fighting in Syria raise questions with regard to Turkey, Lebanon, Jordan, Iraq, and Israel. There are signs of sectarian and ethnic conflict emerging and the unrest also is creating new opportunities for Al Qaeda and other violent extremist groups to operate in vast new ungoverned spaces. The prolonged insecurity of Syria's borders has provided ungoverned spaces leading to more insecurity, allowing more nongovernmental actors to emerge and thrive. Are any of the Arab League members willing or able to pursue a military intervention? What role are extremist groups playing in the violence and what might their future role be in Syria if the conflict ends? What developments could trigger direct intervention by regional actors, and how should the United States respond? What are the risks of spillover violence in Lebanon, Turkey, Israel, and Jordan, and what steps should the United States take to eliminate or minimize these risks? Would a greater spread of violence across borders change the U.S. calculus regarding military intervention?

Answer:

We are committed to working with the region to stem the tide of violence and support a negotiated, political solution to the Syrian conflict, which we believe is the only way to end this crisis.

We have long made clear our serious concerns with respect to the threat of violent extremist elements present in Syria, including the al-Nusrah Front, which was designated as an alias of al-Qa'ida in Iraq.

On December 11, 2012, we amended the FTO designation of al-Qaida in Iraq (AQI) to include the alias of al-Nusrah Front. We did this so that everyone, especially the Syrian people, can distinguish between those in the Free Syrian Army and other armed opposition members in Syria who seek a free, democratic, and inclusive Syria and those who have chosen the path of al-Qa'ida.

By opting for the use of force against its own people, the Asad regime has created an environment that fuels the growth of violent extremism, and al-Qa'ida-linked terrorists are working to exploit the situation for their own benefit. These groups' means and ends are at odds with the goals of the Syrian revolution, and we are working with the opposition to isolate these extremists and ensure their violent and divisive ideology does not take root in Syria. We do not support any efforts to supply these extremists.

We are taking action by strengthening and preparing the moderate groups, who will be the backbone of democratic Syrian state and is a counter to the influence of extremists, for an inclusive transition.

We recognize the huge strain that the influx of refugees is currently placing on countries that neighbor Syria. In both Jordan and Lebanon, government leaders are concerned about their capacity to absorb so many refugees. Iraq has expressed concerns that al-Qaeda and its Syria affiliate, al-Nusrah Front, are sending fighters and weapons across the border. Turkey, for the most part, has

maintained an open border policy for all refugees, although each day it limits the number of refugees allowed to cross at border crossings with high traffic. It is essential that neighboring countries continue to keep their borders open for those refugees fleeing violence in Syria. In every meeting with officials from these countries, we thank them for allowing refugees to cross and discuss ways to help them uphold humanitarian principles while safeguarding their own security so that they are protected from a spillover of violence.

To help address this growing humanitarian crisis, we are providing nearly $510 million in assistance to those in need, across all 14 governorates in Syria and across neighboring countries. This money is being spent on emergency medical care and supplies, blankets, food, clean water, and shelter. We are sending flour to bakeries in Aleppo and sponsoring food and sanitation projects for the desperate families in Atmeh refugee camp. But this is not enough to meet the overwhelming need. We are continuing to monitor the situation closely but cannot speculate on how we would respond to hypothetical situations.

Questions for the Record Submitted to
Secretary of State John F. Kerry by
Representative Nita Lowey (#9)
Subcommittee on State, Foreign Operations
And Related Programs
House Appropriations Committee
April 17, 2013

Question:

The head of U.S. Central Command, General Mattis told the Senate Armed Services Committee that the collapse of the Assad regime would be the biggest setback for Iran in 25 years. Do you see a post Assad Syria breaking up along the lines of what happened in Lebanon in the 1970s and 80s? What plans do you have to support Syrian opposition groups and regional actors to increase the likelihood of a post-conflict transition process that will lead to stability for Syria and the region? What steps should the United States take in its engagement with Syrian opposition groups and regional actors to increase the likelihood of a post-conflict transition process that will lead to stability for Syria and the region? How credible are opposition leaders? How likely are Syrian Kurdish groups to remain at odds with Turkey and Syrian Arabs? How can the United States prevent the use, theft, or transfer of Syria's unconventional weapons? How can the United States and its allies prepare to secure and limit the proliferation of conventional weapons stockpiles in Syria, including missiles?

Answer:

Our objective in Syria is to hasten an orderly end to the violence and a political transition from the Asad regime to a government that protects the rights of all Syrian citizens and serves as a reliable partner for the U.S. and international community in our efforts to counter terrorist activity, prevent the proliferation of chemical weapons, and promote regional prosperity and stability.

We are engaged in six lines of effort to achieve this objective:

1) We are increasing pressure on the regime, through comprehensive sanctions and diplomatic isolation, achieved primarily through coordination with the 80-country strong Friends of the Syrian People group.
2) We are helping the moderate opposition build its capacity and credibility, particularly in liberated areas. One important area of emphasis is assistance to help the opposition convince Syrian minorities that their communities and their interests will be secure in a post-Asad Syria. We see this as necessary to make a political transition viable and sustainable.
3) We are taking necessary steps in cooperation with our allies to prevent terrorists from using Syria to threaten U.S. interests or those of our allies.
4) We are providing nearly $510 in humanitarian assistance. We are the largest bilateral donor supporting Syrians in need both inside the country and in the neighboring countries, including in Jordan, Turkey, Lebanon, Iraq, and Egypt.
5) We are preparing for a post-Asad Syria.

6) We are engaged with partners, and the opposition to prepare for economic recovery, accountability and reconciliation, security stabilization, and preservation and reform of institutions, as Syria emerges from this conflict. We have been engaged in prudent military planning with our close allies to be prepared for a range of contingencies.

For Syria to survive and endure it must find a path that cuts out such foreign interference and instead provides for a tolerant society that supports regional stability and ensures the dignity of the Syrian people. To effectively make the transition beyond the Asad regime, the opposition will need a vision for a pluralistic Syria that abides by the rule of law, subordinates the military to civilian authority, and guarantees the rights of all of its citizens while preserving continuity of the state and its institutions.

Syrians must plan for this for themselves. And they are starting to do so. Moaz al-Khatib, the president of the Syrian Opposition Coalition, is an imam from Umayyad Mosque, the largest mosque in Damascus. In a very public speech broadcast throughout the Arab world in December, President Khatib rejected extremist ideologies and urged all Syrians, including Alawis, to join the opposition and build a new Syria.

General Salim Idriss, Chief of Staff of the Syrian Opposition's Supreme Military Council, and his regional commander, Colonel Akidi, have appealed to Alawis, who are the backbone of Asad's remaining support: Join us. Don't fight us. We're not fighting you. Join us.

President Khatib also wrote an open letter to the Syrian Christian community in February laying out a vision of respect for the dignity of all Syrians. He rejected the idea of a special tax on Christians, as advocated by some Syrian extremists harkening back to the medieval Caliphate.

This is the tolerance and coexistence that Syria needs – and what the vast majority of Syrians want.

We are working to prevent the use, theft, or transfer of Syria's unconventional weapons and can discuss that further in a classified setting.

Questions for the Record Submitted to
Secretary of State John F. Kerry by
Congresswoman Nita Lowey (#10)
Subcommittee on State, Foreign Operations
And Related Programs
House Appropriations Committee
April 17, 2013

Question:

There were press reports that the Secretary of State raised the issue of continued overflights with Iraqi Prime Minister Maliki. The Prime Minister's spokesman has talked of newly tightened restrictions on Iranian flights to Syria, yet the *Arab News* is reporting that the head of Iraq's civil aviation authority acknowledged that no planes had been searched since October. Please provide an update on Iraq's actions to stop the flow of arms to Asad. Are the Iraqis denying overflight of Iraq for credible inspections? What is the State Department's assessment of the relationship between Iraq and Iran? Should the U.S. make some of our assistance contingent on an appropriate response from Iraq? How well has our "robust security assistance" done in increasing the capacity and capability of the Iraqis to defend their own airspace?

Answer:

We remain concerned with Iran's continued abuse of Iraqi airspace for arms shipments to Syria. During my March 24 visit to Iraq, I raised this issue with Prime Minister Maliki and urged that Iraq either deny overflight requests for Iranian aircraft going to Syria, or require such flights to land in Iraq for credible inspection. Since my visit, Iraq began inspecting some flights bound for Syria. So far, the Government of Iraq has announced that it only found humanitarian aid and medical equipment during its inspections. We will continue to press Iraqi

officials at the highest levels to continue inspections and ensure that Iran does not use Iraq as a transit route for cargo prohibited by UN Security Council Resolutions.

Although Iraq seeks peaceful relations with Iran, a neighbor with whom it shares a long and turbulent history, the Government of Iraq has been clear that it views a close strategic relationship with the United States as key to preserving its independence and stability. While Iran will always have influence as a large neighbor with whom Iraq has a long border and extensive economic and religious ties, Iraq has demonstrated that it is willing and able to act against Iranian wishes to advance its own national interests. For example, Iraq increased oil production just as U.S. and EU sanctions began limiting Iranian exports to the world market. This action protected Iraq's own interests as well as those of the broader international community by forestalling a spike in energy prices that would have disrupted world markets and potentially undermined the impact of our sanctions on Iran.

It is therefore very much in the United States' interest to continue building a partnership that fosters Iraq's development as an inclusive democracy and a force for stability and prosperity in the region. Targeted foreign assistance to Iraq remains a critical and essential piece of this engagement. U.S. security assistance to Iraq supports the continued development and professionalization of the Iraqi

military and its interoperability with the United States and within the region. U.S. security assistance, through which we are helping Iraq build its capability to defend its airspace, provides an important vehicle for cementing the United States' enduring partnership with Iraq during an important period of transition. Limiting assistance to Iraq could reduce U.S. influence. When we approve Iraqi purchases of U.S. defense items, it is because such a sale is in both countries' interests. Foreign military sales are also competitive; other countries and their companies are actively seeking to sign air defense and other military and weapons contracts with Iraq. Our military sales and security assistance complement a range of other support we provide to Iraq – both to the government and directly to civil society – including assistance to promote the rule of law, bolster democratic institutions, and promote human rights.

Our long-term objective is an independent Iraq that is a force for peace and security in the region. Iraq's recent participation in a mine-clearing exercise in the Gulf is one example where this relationship is moving in the right direction. Security cooperation on critical systems, such as air defense, will provide a basis for a long and mutually-beneficial relationship.

Questions for the Record Submitted to
Secretary of State John F. Kerry by
Representative Nita Lowey (#11)
Subcommittee on State, Foreign Operations
And Related Programs
House Appropriations Committee
April 17, 2013

Question:

The announcement that the Syrian opposition Nusra Front has aligned with the leadership of al-Qaeda in Iraq throws into question transition plans in Syria, with some opposition groups warning it could complicate the battlefield, even pitting northern-backed Islamists against southern-backed secularists. How concerned is the State Department that Islamic militia's or extremist groups such as Al-Nusra Front or Al Farouq Battalions are establishing footholds in vast ungoverned spaces of Syria? Is the Iranian government using Al Quds Forces or Hezbollah to train and arm local militias loyal to the Assad regime? Do you see the Al-Nusra Front moving from the Syrian conflict to clashes into Lebanon and other countries in the region?

The United States has announced an increase in U.S. non-lethal assistance to the Syrian opposition and that the U.S. would not stand in the way of others providing lethal aid. What is the status of increased U.S. assistance to the opposition? A variety of actors, some with interests counter to America's, have been providing arms and support to different factions within the Syrian opposition. How can the U.S. counter these efforts and strengthen those who are more supportive of our interests? Is Russia still providing arms shipments to the Assad regime? If so, why have no Russian entities been sanctioned? Are there additional ways we can increase the economic pressure on the Assad regime?

Tracking the array of opposition groups active in Syria and neighboring countries and their respective capabilities, levels of legitimacy, and leadership seems near impossible. Is the U.S. at a point where we feel we have a reliable interlocutor? How is the Free Syrian Army engaging with the National Coalition? What are the strengths and weaknesses of the National Coalition?

Answer:

Iran's role in perpetuating the bloodshed inside Syria is well known. Through its ongoing provision of personnel, guidance, and material and financial assistance, Iran is helping the Assad regime continue its repression and systematic violence against the Syrian people. Iran is joined in this effort by Hizballah, which also provides strong operational support to Asad. Neighboring countries are paying the price as the spillover of violence and refugees from Syria threatens the stability of Lebanon, the capacity of Jordan, the progress of Iraq, and the security of Israel.

Through Iran's ongoing provision of personnel, guidance, and material and financial assistance, Iran is enabling the Assad regime's continued repression and systematic violence against the Syrian people. Tehran's destructive role inside Syria shows its utter disregard for the lives and well-being of the Syrian people. Tehran's deployment to Syria of senior Iranian military commanders and security officials – many of whom have helped Iran crack down on their own population – stokes the flames of sectarian violence and is a key reminder that the Iranian regime's interests lie solely with preserving the Asad government at all costs, and not with furthering the aspirations of the Syrian people.

The Asad regime has created an environment that fuels the growth of extremism, and al-Qa'ida-linked groups are working to exploit the situation for their own benefit – although are confined to Syria. There is a real competition

now between extremists and moderates in Syria and we need to weigh in on behalf of those who promote freedom and tolerance.

On the issue of our transition assistance, it is designed to both support the transition away from Asad and helping to ensure that it promotes human freedom and tolerance. Since December 2012, the United States, along with our international partners, has recognized the Syrian Opposition Coalition as the legitimate representative of the Syrian people. Comprised of diverse representatives inside and outside Syria, the Coalition is committed to a democratic, inclusive Syria free from the influence of violent extremists.

We are providing $123 million in non-lethal, transition assistance to the Coalition and a range of local councils and grassroots groups inside Syria to build a network of ethnically and religiously diverse civilian activists from the top down as well as the bottom up. These funds are strengthening local councils, civil society groups, unarmed political activists, and free media to improve governance, accountability, and service delivery at the sub-national and national level.

For instance, the United States has supplied Syrian activists with thousands of pieces of communications gear. One group of lawyers used this equipment to form the Free Lawyers' Union, which has now taken responsibility for legal affairs within the Local Council for the Governorate of Daraa.

We boosted private radio station signals, extending the reach of broadcast on FM stations, and funded media outlets. Those media platforms were used to address sectarian violence and issue public service messages on best practices in the event of chemical weapons exposure.

The United States also trained over 1,500 local leaders and activists – including women and minorities – from over 100 different provincial councils. One recent graduate played a critical role in the Aleppo local council elections last month. He reached out to 240 delegates across Aleppo's liberated areas and broadcast the election – bringing credibility, transparency, and accountability to the process. These trainees are improving the ability of local committees and councils from Damascus to Deir al-Zour in the east to Idlib in the northwest to better provide for the needs of all members of their communities.

In the months since its formation, the Coalition has made significant progress in deepening its technical expertise, such as by developing the Assistance Coordination Unit (ACU), which identifies Syrian communities most in need and ensure that humanitarian assistance reaches them. The Coalition is also expanding its capacity to coordinate transition planning, including transitional justice plans to hold perpetrators of violence accountable.

But the Coalition is at a turning point. President Khatib resigned, and Ghassan Hitto, the new Coalition-elected Prime Minister, who has been an

effective partner in assistance coordination, is still shaping his role. The Coalition needs international support if it is to move these transitions successfully and build the kind of lasting credibility it needs with the Syrian people so that it can more effectively compete with extremists.

Russia can play an important role in working with the international community to support the Syrian people as they prepare for a transition to an inclusive, democratic, post-Asad future. The Geneva communiqué provides the framework for the international community to support the Syrian people as they chart this course.

We have said consistently that Russia could play a more constructive role if it ceased its support for the Syrian regime. The Secretary also strongly urged Russia to stop providing the regime weapons, attack helicopters, air-defense systems, and access to Russian banks.

Sanctions are not a magic bullet but they are a central element of the pressure we along with our partners are putting on the Asad regime. The Asad regime has lost more than $7 billion in oil revenue and sanctions have made it harder for the regime to purchase weapons and other kinds of support. Additionally, at the last Friends of Syrian People sanctions working group, we

received new commitments from other countries, including on measures to prevent Syrian officials from hiding their money outside of Syria.

Questions for the Record Submitted to
Secretary of State John F. Kerry by
Representative Nita Lowey (#12)
Subcommittee on State, Foreign Operations
And Related Programs
House Appropriations Committee
April 17, 2013

Question:

The ongoing conflict in Syria has caused more than a million refugees to flee to neighboring countries. These countries are struggling to host these displaced persons. In Jordan, the refugee flow has caused major strains on the country. During his visit to Amman in March, President Obama pledged additional American aid to support Jordan's efforts. What additional measures is the Department taking to assist Jordan in accommodating the growing numbers of Syrian refugees and to help ensure future stability in Jordan?

Answer:

As the President announced in Jordan, we are providing an additional $200 million cash transfer to Jordan to address the impact on the sectors within Jordan's budget directly impacted by the continued influx of refugees. This follows a $100 million cash transfer we provided last year to help address these needs and over $30 million provided to alleviate pressures on schools and on water and sanitation infrastructure in communities hosting significant populations of displaced Syrians. As authorized by recent legislation, we are also moving forward with negotiating loan guarantees for Jordan to support the government's economic development and reform goals. These actions, in coordination with Jordan's $2.1 billion International Monetary Fund program and the reforms it requires, are in direct support of stability in Jordan. Additionally, of the nearly $385 million we are

providing for humanitarian assistance in the region due to the Syria crisis, nearly $58 million is being directed to partners working in Jordan.

We are closely following refugee outflows into the neighboring countries and the repercussions for local host communities. The pace of the increase in the total number of Syrians refugees region-wide is alarming – the numbers have risen from 66,000 a year ago to 1.4 million today. The generosity of the Jordanian government and communities are commendable, but the capacities of local governments, families, social services, and civic organizations are severely strained as they seek to accommodate this flood of new arrivals. The Department of State and USAID are working to provide assistance to address needs in host communities in Jordan, as well as elsewhere in the region. These cities and villages are suffering from financial strain, reduced public services, and growing tensions as a result of hosting large numbers of refugees.

In our discussions with humanitarian organizations that we fund, such as UNHCR, we ask them to identify how they are targeting the most vulnerable, meeting the needs of the majority of refugees who live outside of camps, and incorporating more robust support for the over-burdened host. We discuss their respective contingency plans, including: their humanitarian stockpiles in the region; the need to guard against aid pipeline breaks; preparation for health-related and weather-related challenges; and plans for responding to major incidents that could result in large surges of refugees.

We are looking at ways to boost support for host countries beyond emergency humanitarian assistance, so that they can continue to support refugees fleeing violence in Syria. The international community needs to increase support

to host countries' core community infrastructure, including health, education, energy, and water to minimize the burden of hosting up to four million Syrian refugees in the region by the end of the year.

The U.S. government is committed to continuing to help Syria's neighbors, including Jordan, as they cope with refugee inflows. It is critical to regional political stability and to keep borders open to all those fleeing the violence in Syria that we demonstrate that they are not in this alone.

Question for the Record submitted to
Secretary of State John Kerry by
Congresswoman Nita Lowey (#13)
Subcommittee on State, Foreign Operations
And Related Programs
House Appropriations Committee
April 17, 2013

Question:

One of the State Department's key roles and responsibilities is informing the U.S. traveling public and U.S. businesses of real conditions and threats in countries overseas. However, I have received complaints from various interest groups about the existing and long-standing State Department Travel Warning on Israel. Many U.S. universities will not conduct student exchange programs in Israel due to the State Department Travel Warning and concerns about liability. The Travel Warning also significantly increases travel insurance and shipping rates on U.S. businesses, creating higher costs for conducting commerce. I certainly support robust educational exchanges between Israel and the United States. Has the State Department looked into this? Are there possible remedies?

Answer:

The protection of U.S. citizens living and traveling abroad is the highest priority of the Department of State. Providing U.S. citizens reliable information on conditions overseas that may pose risks to their well-being is essential to discharging that responsibility. The Travel Warning for Israel, the West Bank and Gaza, first issued on October 12, 2000, and last updated on December 20, 2012, provides information on the current security situation and reflects the concerns of the U.S. government regarding that and the threat of terrorism in the area. The

current Travel Warning reminds U.S. citizens of the risks of traveling to Israel and the West Bank; however, it does not warn against travel there.

The borders between Israel and the Palestinian territories are a sensitive final-status issue which can be resolved only through direct negotiations between the parties. The final status of many areas covered by the Travel Warning remains subject to negotiations between the parties, making it difficult to clearly delineate each region in separate warnings.

We understand that this Travel Warning, and Travel Warnings in general, may be a factor contributing to the decision of some U.S. universities to cancel or not administer their study abroad programs in certain locations. The decision whether to establish or maintain study abroad programs, or to limit or prohibit students from traveling to a particular country, is the purview of the respective university or other academic institution.

We are aware of the issues that you raise regarding the higher costs of travel insurance and shipping rates. We have an obligation to continue to provide information on conditions overseas that may pose risks to U.S. citizens traveling abroad, and therefore must maintain this Travel Warning. We are, however, sympathetic to all concerns regarding the effects that a Travel Warning may have, and we will continue to review the Travel Warning on a regular basis.

Questions for the Record Submitted to
Secretary of State John F. Kerry by
Representative Frank R. Wolf (#1)
House Appropriations, Subcommittee on Foreign Operations
April 17, 2013

Question:

I am deeply concerned about the plight of U.S. citizen Saeed Abedini who is unjustly imprisoned in Iran. I understand that his internal bleeding is worsening, and that he is still being denied medical care. This is especially concerning as we continue to get reports of inmate deaths inside Evin Prison. Can you outline the State Department's efforts to ensure that Mr. Abedini is being given prompt and proper medical care? Have you personally spoken to Pastor Abedini's wife about her husband's continued imprisonment? Is the department providing Mrs. Abedini and her legal team regular updates of diplomatic efforts to ensure his release? Will you commit to using every tool at your disposal to press for his immediate and unconditional release on humanitarian grounds given his deteriorating health?

Answer:

I share your deep concern for the serious human rights abuses faced by U.S. citizen Saeed Abedini, unjustly imprisoned in Iran on charges related to his religious beliefs and activities. I also share your concern about reports that Mr. Abedini has suffered physical abuse by Iranian authorities, and of his deteriorating health condition while in prison.

The Ambassador at Large for International Religious Freedom Suzan Johnson Cook and other senior State Department officials met with Mrs. Abedini on March 15 and conveyed our commitment to resolving this case and reuniting Mr. Abedini with his family.

On March 22, I issued the following public statement on this case:

> "I am deeply concerned about the fate of U.S citizen Saeed Abedini, who has been detained for nearly six months and was sentenced to eight years in prison in Iran on charges related to his religious beliefs. I am disturbed by reports that Mr. Abedini has suffered physical and psychological abuse in prison, and that his condition has become increasingly dire. Such mistreatment violates international norms as well as Iran's own laws. I am also troubled by the lack of due process in Mr. Abedini's case and Iran's continued refusal to allow consular access by Swiss authorities, the U.S. protecting power in Iran. I welcome reports that Mr. Abedini was examined by a physician and expect Iranian authorities to honor their commitment to allow Mr. Abedini to receive treatment for these injuries from a specialist outside the prison. The best outcome for Mr. Abedini is that he be immediately released."

We raised this case at the United Nations Human Rights Council (HRC) in Geneva on March 22. We have also raised this case with the office of UN Special Rapporteur for Human Rights in Iran, Dr. Ahmed Shaheed, whose recent report to the HRC cites Mr. Abedini's case as an example of Iran's violation of human rights, including religious freedom.

Acting Assistant Secretary for Democracy, Human Rights and Labor Uzra Zeya advocated on behalf of, and highlighted, the case of Mr. Abedini and others imprisoned for their beliefs when she and I held a press conference on April 19 to release the *Country Reports on Human Rights Practices for 2012.*

We appreciate H.Res. 147 calling for Mr. Abedini's release. We commend you and other Members of Congress for elevating this case, and

we want to work closely and constructively with you to raise awareness and secure his release.

The Department of State's highest priority is the safety and welfare of U.S. citizens overseas, and we remain deeply concerned about Mr. Abedini's detention and the conditions he faces in prison. We are committed to doing all we can to ensure Mr. Abedini receives the medical attention he urgently needs. We will continue to make public statements and use diplomatic engagement to apply international pressure on Iran to secure his release. We have reached out to numerous partners in foreign governments and civil society to urge them to press the Iranian government to release Mr. Abedini. Moreover, I will continue to use all the appropriate tools at the Department's disposal to promote and protect human rights, including religious freedom, for all people in Iran and around the world.

We have been in frequent contact with Mrs. Abedini and her attorney since we became aware of this case last year, and we will remain in touch as we work to achieve our common objective of securing his freedom.

Questions for the Record Submitted to
Secretary of State John F. Kerry by
Representative Frank R. Wolf (#2a-b)
House Appropriations, Subcommittee on Foreign Operations
April 17, 2013

Question:

It is inconceivable to me that the administration would again this year request debt relief, this time to the tune of $300 million, for Khartoum. How is debt relief even on the table for discussion with this government—a government headed by an internationally-indicted war criminal?

Answer:

The Administration has requested that Congress provide the authority to transfer up to $300 million for debt relief for Sudan as part of its FY2014 budget request. Debt relief is an important incentive for improved Government of Sudan (GOS) behavior on a host of issues including the continued implementation of bilateral agreements with South Sudan, ending the conflict in the Two Areas, and improvements to the situation in Darfur. Ultimately, the United States will not support debt relief for Sudan without significant, sustainable improvements in these areas, as well as Sudan meeting the significant economic reform requirements of the Heavily Indebted Poor Countries (HIPC) debt relief process. The authority to transfer funds for debt relief would enhance the Administration's ability to put pressure on the Sudanese to move forward on these issues.

Debt relief for Sudan also has implications for South Sudan. Sudan and South Sudan have agreed that if there is no international support for the current debt deal between the Sudan and South Sudan – the "zero option" – by September 2014, the debt will be divided between them. This could negatively affect South Sudan's economy or give the new state a large debt burden and possibly block its access to the International Financial Institutions (IFIs) due to its assumption of a portion of Sudan's arrears to the IFIs.

Questions for the Record Submitted to
Secretary of State John F. Kerry by
Representative Frank R. Wolf (#2c-d)
House Appropriations, Subcommittee on Foreign Operations
April 17, 2013

Question:

It has also been reported that a high-level delegation from Khartoum has been invited to visit Washington. Will there be a special envoy for Sudan in place by the time of that visit? Absent a special envoy or permanent Assistant Secretary for African Affairs who is making these determinations? Why was the decision made now to reward Khartoum with such an invitation as opposed to advancing our diplomatic aims through other channels and at other locations?

Answer:

Sudan remains a priority issue for this Administration and for this Department. As the White House announced in December, we will appoint a new Special Envoy for Sudan and South Sudan to replace Ambassador Lyman, who recently retired. We are uncertain when a Special Envoy will be in place. Decisions concerning Sudan policy continue to be made at the highest levels in my Department, and through an interagency process with due consideration. Any meetings we have with Sudanese officials are with the following goals in mind: to underscore that improved relations with the United States are only possible if Sudan changes its policies in Darfur, Southern Kordofan, and Blue Nile, embraces more political openness at

home, and continues to make progress in implementing the September agreements with South Sudan. Additionally, with the resumption of talks between Sudan and the SPLM-N, there are new opportunities for us to advocate with Khartoum to achieve a cessation of hostilities and humanitarian access, and, eventually, a durable political settlement for the people of Southern Kordofan and Blue Nile.

Questions for the Record Submitted to
Secretary of State John F. Kerry by
Representative Frank R. Wolf (#3)
House Appropriations, Subcommittee on Foreign Operations
April 17, 2013

Question 3a:

My office has been contacted by several "Left Behind" parents whose children were kidnapped by their spouses and taken to foreign countries. Notably, Japan and Egypt have featured prominently in my conversations with these parents.

Answer:

The Department of State has no higher priority than to safeguard the welfare of U.S. citizens abroad, including the most vulnerable, children. For this reason, the Department takes all appropriate steps to seek the return of children who have been abducted across international borders, including raising cases at the highest levels. We urge you to refer left-behind parents to the Bureau of Consular Affairs' Office of Children's Issues for information about domestic and foreign resources that may help them resolve cases of international parental child abduction. In cases of children abducted to countries, such as Japan and Egypt, which are currently not treaty partners with the United States under the Hague Abduction Convention, we raise individual cases with foreign governments through diplomatic channels. In Japan, the members of the Lower House in the Diet

passed the ratifying and implementing legislation for the Hague Abduction Convention, and the legislation moved to the Upper House for final passage on May 9. We expect the legislation to pass before the end of the current Diet session on June 26.

We help left-behind parents understand their options, monitor legal proceedings, attend court hearings when appropriate, conduct welfare visits and engage child welfare authorities when needed, advocate for consular access, and coordinate with law enforcement authorities when parents choose to pursue criminal remedies.

Question 3b:

What are the prospects during your term in office to return these children to the United States?

Answer:

As Secretary of State, it will continue to be a personal and professional priority of mine to encourage foreign governments to act in accordance with the Hague Abduction Convention, which provides a legal framework for securing the prompt return of wrongfully removed or retained children to the country of their habitual residence where a competent court can make decisions on issues of custody and the child's "best interests." We believe the Hague Abduction Convention is the most effective tool both for

deterring abductions and for returning children to their countries of habitual residence. The United States currently partners with 70 countries under the Hague Abduction Convention. During my term in office, I will continue to support the ongoing efforts of the Department to encourage countries to join the Convention. The prospects for securing the return of abducted children increase with the expansion of the Hague Abduction Convention.

Question 3c:

Does mention of these cases feature prominently in our bilateral relations, especially with a nation like Egypt which receives significant amounts of U.S. foreign assistance?

Answer:

We raise international parental child abduction issues with foreign governments at every appropriate opportunity and work with them to resolve cases of international parental child abduction. This issue is one of the many issues that we discuss with Egypt in the context of our bilateral relationship, all of which we take into account when considering foreign assistance.

Question 3d:

Several families of American citizen children kidnapped to Japan are interested in meeting with Japanese government officials, just as U.S. officials have met with Japanese families whose relatives were kidnapped by North Korea. Is the department working to facilitate such a meeting?

Answer:

The U.S. Department of State does not link past abductions of Japanese citizens to North Korea with international parental child abduction to Japan. Please be assured that Department resources and staff dedicated to resolving individual international parental child abduction cases remain fully focused on protecting the interests of U.S. citizen children involved in international parental child abduction. U.S. citizens involved in such cases should work directly with their country officers in the Office of Children's Issues.

Questions for the Record Submitted to
Secretary of State John F. Kerry by
Representative Frank R. Wolf (#4)
House Appropriations, Subcommittee on Foreign Operations
April 17, 2013

Question:

Among the several programs that this Subcommittee supports every year relating to Tibet is the Office of the Special Coordinator for Tibetan Issues. Right now the department is without a Tibet coordinator following the departure of Under Secretary Maria Otero.

First, can you give us an indication of when the appointment of a new Coordinator will occur? Second, can you tell us whether the office that handles the Tibet brief is sufficiently staffed and resource to carry out its duties under the Tibetan Policy Act?

Answer:

Appointing a Special Coordinator for Tibetan Issues is critical to ensuring continuity in our Tibet policy. We are moving to fill this important role. In the interim, the office that handles the Tibet policy portfolio for the Office of the Special Coordinator for Tibetan Issues continues to be staffed with officers with deep understanding of Tibetan issues and is sufficiently resourced to carry out its duties under the Tibetan Policy Act. We will ensure that it remains sufficiently staffed and resourced to carry out those duties in the future.

Questions for the Record Submitted to
Secretary of State John F. Kerry by
Representative Mario Diaz-Balart (#1)
House Appropriations, Subcommittee on Foreign Operations
April 17, 2013

Question:

I am very concerned about "people-to-people" travel (515.565(b)(2) of title 31 of the C.F.R.) for two reasons: (1) these trips cross the line into "tourist activities," which is expressly prohibited by U.S. statute and (2) the trips cannot "promote [the Cuban people's] independence from Cuban authorities" because (a) the itineraries are controlled by the Castro regime and (b) the trips channel hard currency to the Castro regime's state-owned tourism sector. Many of these trips include visits to night clubs, bird watching, scuba diving, ballet, dance lessons, and other typical tourist activities. Please explain how, in each case below, the following licensed people-to-people travel providers are consistent with (1) the U.S. statutory prohibition against "tourist activities" and (2) the President's stated purpose of supporting the Cuban people's independence from their oppressors.

Answer:

I am unable to comment on individual Office of Foreign Assets Control (OFAC) license applications. However, travel to Cuba for tourist activities is against the law and the Department of State continues to work closely with the Department of the Treasury's Office of Foreign Assets Control and refers to OFAC any potential violations of which the Department becomes aware.

In May 2012, OFAC amended the "Comprehensive Guidelines for License Applications to Engage in Travel-Related Transactions Involving Cuba" to require additional information from people-to-people license applicants. Additional information includes how the applicant's proposed travel would enhance contact with the Cuban people and/or support civil society in Cuba and/or help promote the Cuban people's independence from Cuban authorities. The Administration continues to assess implementing procedures to ensure that the benefits to Cuban civil society of "people-to-people" travel outweigh any potential benefits to the Cuban government.

Questions for the Record Submitted to
Secretary of State John F. Kerry by
Representative Mario Diaz-Balart (#2)
House Appropriations, Subcommittee on Foreign Operations
May 1, 2013

Question:

Should there be an independent, international investigation into the death of pro-democracy activist Oswaldo Paya, who died under highly suspicious circumstances in Cuba?

Answer:

Yes, there should be an independent, international investigation into the deaths of Oswaldo Paya and Harold Cepero. The United States is on record in support of an investigation by independent, international observers into the circumstances leading to the deaths of these Cuban civil society leaders. Their families and the Cuban people deserve a clear, credible accounting of the circumstances that led to this tragedy.

Questions for the Record Submitted to
Secretary of State John F. Kerry by
Representative Mario Diaz-Balart (#3)
House Appropriations, Subcommittee on Foreign Operations
April 17, 2013

Question:

"Our Man in Havana," an article by Newsweek editor R.M. Schneiderman which appeared in *Foreign Affairs* in January 2013, reported on U.S. negotiations with the Castro regime to cut and weaken Cuba democracy programming. Concerning excerpts from the article include:

> "For more than a year, Armstrong and his boss, Senator John Kerry, the head of the Senate Foreign Relations Committee, had been trying to reform the democracy programs, but with little success. Now State and USAID wanted Armstrong's help to create more transparency, and they wanted to fund efforts that would better help citizens of Cuba -- but without specifically targeting dissidents. They also hoped that cleaning up the programs could help bring Gross home."
>
> "In a series of confidential meetings throughout the summer, the State Department and USAID, along with Armstrong and others, agreed to only spend $15 million of the $20 million the government had allotted for 2010 to USAID on Cuba. There simply were not enough quality programs, they believed, to justify the expense. They also agreed that more cuts and changes would be in store."
>
> "That fall, Armstrong began convening with State and USAID again, in a second set of confidential meetings, to hash out the 2011 budget for the democracy programs. Armstrong and his allies at State hoped that in the upcoming year, the United States would spend only $10 million of the allocated funds and make the programs even more transparent and apolitical. They also wanted to permit more religious, academic, and cultural groups to travel to the island, which had been a major part of the Clinton administration's Cuba policy."

> "In October, fearing that Cuba had once again become low on the White House's list of priorities, the Cuban Interests section in Washington sent word that Rodriguez wanted to meet with Kerry. With State's blessing, Kerry met Rodriguez at the home of Cuba's ambassador to the United Nations in New York. There was no quid pro quo, but the meeting seemed to reassure the Cubans that the democracy programs would change, and the Cubans expressed confidence that Gross would receive a humanitarian release shortly after his trial, which was scheduled for March."

Please explain whether the allegation that negotiations with the Castro regime occurred, and the assertion that you and your staff offered, or indicated, a willingness to dilute, weaken, or cut funding for democracy programs in Cuba. Please explain which parts of the reports are true, if any, and whether negotiations with the Castro regime to cut or otherwise change Cuba democracy programming are currently underway.

Answer:

The U.S. commitment to human rights and democracy in Cuba remains strong. The Administration's yearly requests for democracy programming funds are based on our assessment of needs on the ground and on-island and off-island capacity to carry out programs. We will continue our robust program providing humanitarian support to political prisoners and their families, building civil society and expanding democratic space, and facilitating the information flow in, out, and within the island.

The article referenced by R.M. Schneiderman from January 2013 contains numerous inaccuracies and mischaracterizations. Neither USAID nor State were contacted by the author in advance. USAID made multiple

attempts to contact Mr. Schneiderman between January 10 and January 23 to correct the misstatements and to request a retraction. To date, USAID has not received any response to email and voice messages.

Questions for the Record Submitted to
Secretary of State John F. Kerry by
Representative Mario Diaz-Balart (#4)
House Appropriations, Subcommittee on Foreign Operations
April 17, 2013

Question:

During the current administration, several Castro regime operatives have received entry visas into the U.S. They include:

- Eusebio Leal, regime's Havana historian and member of the National Assembly
- Josefina Vidal Ferreiro, of the regime's foreign ministry who has defended the indefensible hostage-taking of U.S. citizen Alan Gross
- Reynaldo Perez Iglesia ("triggerman" for the Castro dictatorship responsible for executions and the torture of political prisoners)
- Adalberto Sanchez Surit, one of Castro's secret police who represses political activists
- Dr. Lorenzo Jorge Perez Avila (Director of the Pedro Kouri Tropical Medicine Institute)
- Luis Estruch Rancaño (Deputy Minister of Public Health)
- Maria Isela Lantero (Director of the AIDS Programs)
- Crescencio Marino Rivero (colonel in the Ministry of the Interior, tortured political prisoners, and a provincial head of prisons)
- Vilma Rodríguez Castro (Raul Castro's granddaughter) and
- Mariela Castro Espin (Raul Castro's daughter)

In August 2011, U.S. President Barack Obama issued Presidential Proclamation 8697, which supposedly sought to "close the gap" in granting visas to foreign nationals affiliated with human rights violations. Granting visas to these members of Cuba's Communist Party is directly contrary to Congressional intent as expressed in the Cuban Liberty and Democratic Solidarity Act (LIBERTAD) Act of 1996 (PL 104-114). Section 102(e) declares: "It is the sense of the Congress that the President should instruct the Secretary of State and the Attorney General to enforce fully existing regulations to deny visas to Cuban nationals considered by the Secretary of State to be officers or employees of the Cuban Government or of the

Communist Party of Cuba." In addition, Presidential Proclamation 5377, Section 1, prohibits nonimmigrant entry of—"(a) officers or employees of the Government of Cuba or the Communist Party of Cuba holding diplomatic or official passports; and (b) individuals who, notwithstanding the type of passport that they hold, are considered by the Secretary of State or his designee to be officers or employees of the Government of Cuba or the Communist Party of Cuba."

Why have these Castro regime operatives, some of which are well-known human rights abusers, been granted U.S. entry? What procedures are in place at USINT to ensure that Communist Party operatives and human rights abusers are not allowed into the U.S.? What is the Administration's policy, and the decision-making process, for making exceptions to the general prohibition against permitting U.S. entry of high level Castro operatives?

Answer:

Due to federal laws on visa confidentiality, we are not permitted to disclose specific information about individual visa determinations. We can, however, affirm that all visa applications are processed in strict accordance with applicable U.S. laws and regulations. Specifically, all applications are reviewed to determine whether the applicant is ineligible under the security provisions of the Immigration and Nationality Act (INA) for the type of visa requested. Furthermore, in adjudicating visas, the State Department places the highest priority on security, foreign policy concerns, and compliance with U.S. law.

Sometimes new information may come to light after an individual has been issued a visa and enters the United States. In such instances, the

Department of Homeland Security has jurisdiction on any questions regarding their status and potential removal.

With respect to Cuban officials traveling to the United States, Presidential Proclamation 5377 of October 4, 1985, suspends entry into the United States of certain employees and officers of the Government of Cuba and the Cuban Communist Party. However, the Proclamation, as currently implemented, does not contain a blanket prohibition on issuing visas to government and Party officials and employees. For example, the Proclamation allows entry of Cuban officials to conduct official business at the Cuban Interests Section and the Cuban Permanent Mission to the United Nations. Moreover, under Section 2(c) of the Proclamation, the Secretary of State may designate certain cases or categories of cases to which the suspension does not apply. Secretaries have from time to time made such designations, including a 1999 designation that had the effect of focusing the Proclamation's application mainly on high-level government and Party officials, including the Cuban President, Vice President, the National Assembly President and Vice President; Politburo members; certain high-level Communist Party officials; and senior military, intelligence, and police officials.

Questions for the Record Submitted to
Secretary of State John F. Kerry by
Representative Mario Diaz-Balart (#5)
House Appropriations, Subcommittee on Foreign Operations
April 17, 2013

Question:
Generally, the State Department operates on a "reciprocal treatment" policy when it comes to granting permission to Castro regime diplomats stationed in New York or Washington, D.C. to travel beyond their stations. Apparently, the State Department granted permission to:

> The head operative of the Cuban Interests Section to give the keynote address at the University of Georgia for a conference regarding "U.S.-Cuba policy";
>
> Llanio González López and Warnel Lores Mora, counselor and first secretary at the Cuban Interests Section, to participate in a "pro-normalization" event in Tampa on March 23-24, 2013 entitled, "Rapprochement with Cuba: Good for Tampa, Good for Florida, Good for America"; and
>
> The head of the Cuban Interests Section to lecture at Youngstown State University in Ohio in 2011.

Has there been reciprocity? Have U.S. Interests Section personnel been permitted to travel outside Havana? If so, for what general purpose(s)?

Answer:

Cuban officials posted to the Cuban Interests Section in Washington, D.C., are restricted to the area inside the Capital Beltway, and those serving at the Cuban Permanent Mission to the United Nations in New York are

restricted to 25 miles from Columbus Circle. Similarly, officials at the U.S. Interests Section in Havana are restricted to the Havana city limits.

All Cuban officials who wish to travel outside of the restricted area must submit a formal travel request through the Department of State's Office of Foreign Missions (OFM), and requests are evaluated on a case-by-case basis. Each request is thoroughly reviewed and the Cuban officials are notified of the final determination. U.S. officials in Havana are subject to a similar process, and have recently been granted permission to travel to different parts of the island for official, consular, and personal business. As you mention, reciprocity and the protection of national security are key considerations in reviewing these travel requests.

Questions for the Record Submitted to
Secretary of State John F. Kerry by
Representative Mario Diaz-Balart (#6)
House Appropriations, Subcommittee on Foreign Operations
April 17, 2013

Question:

U.S. law defines "international terrorism" in 18 U.S.C. 2331(1). Under that statutory definition, was the capture of Alan Gross an act of international terrorism? Is his continued, unjustifiable incarceration an act of international terrorism?

Answer:

No. While the arrest and incarceration of Alan Gross are unjust and deplorable, the State Department does not take the view that they constitute acts of "international terrorism" as that term is defined in 18 U.S.C. § 2331(1). Securing Mr. Gross's immediate release remains a top priority for this Administration, and we continue to use every appropriate diplomatic channel to press for his release.

Questions for the Record Submitted to
Secretary of State John F. Kerry by
Representative Mario Diaz-Balart (#7)
House Appropriations, Subcommittee on Foreign Operations
April 17, 2013

Question:

It is my understanding that the State Department's Bureau of Diplomatic Security is working to implement a mobile biometric enrollment program at State Department installations around the world based upon the partnership between the State Department and U.S. Department of Defense in Afghanistan and Iraq. Could you please provide the Committee with an update regarding the status of this effort, specifically including the timetable for its deployment, the areas where you expect to deploy it and what, if anything, you would require from the Committee to complete this project?

Answer:

For several years, the Bureau of Diplomatic Security (DS) has been using Department of Defense systems to conduct biometric enrollments for the purposes of foreign national vetting in Iraq and Afghanistan. DS is currently assessing requirements for a biometrics system designed to meet a range of needs relating to criminal investigations, employee vetting, contingency operations, and access control. No timetable for the deployment of this system has yet been established. It is anticipated that the initial deployment of this system will be for designated High-Threat Posts. The responsible offices within the Bureau of Diplomatic Security believe sufficient support for these efforts is available at this time.

Questions for the Record Submitted to
Secretary of State John F. Kerry by
Representative Mario Diaz-Balart (#8)
House Appropriations, Subcommittee on Foreign Operations
April 17, 2013

Question:

As you know, in February, 7 people were killed and more than 100 were injured in Camp Liberty, the refugee camp of more than 3,000 member of the Iranian opposition. Reports indicate that the military wing of Hezbollah in Iraq claimed responsibility. What has been done to ensure the safety and security of Camp Liberty residents? What is being done to prevent a future attack? Will you press the Iraqi government to implement measures to improve security at the camp? Including installing protective walls, and transferring medical equipment? It's my understanding that only 8 people have been resettled through international refugee organizations. Can you update us on the State Department's efforts to relocate the residents?

Answer:

Following the February 9 rocket attack targeting Camp Hurriya, the Government of Iraq has taken steps to enhance security in and around the camp. We continue to urge the government to take all possible measures to ensure the safety of Camp Hurriya residents. The United Nations Assistance Mission for Iraq (UNAMI) and the GOI are trying to work with the MEK camp leadership on security enhancements and we continue to firmly support the many efforts of the GOI and UNAMI in this endeavor. Since the attack, UNAMI reports that over 250 bunkers and nearly 600 small T-walls have been delivered to the camp and other security measures have been put into place. As we have seen from other terrorist incidents, no amount of

physical structures can guarantee the safety and security of Camp Hurriya or Camp Ashraf, which clearly underscores the urgency of resettlement of residents outside of Iraq. The MEK also must step up its efforts to facilitate and enhance security at the camp. The MEK leadership in Paris and at Camp Hurriya also bear responsibility for their actions in support of the residents.

We join UNAMI and other nations in urging the permanent resettlement of former Ashraf residents outside Iraq. Resettlement is the only sustainable solution to ensure the safety of the residents. To date, 25 individuals have left the camp for resettlement in third countries. We are continuing to evaluate referrals from UNHCR and are actively encouraging others within the international community to accept resettlement referrals from UNHCR as well. We remain firmly committed to supporting and assisting UNAMI, UNHCR and the Government of Iraq in their efforts to facilitate resettlement. The resettlement of Camp Hurriya residents outside Iraq requires immediate and urgent attention. We have made known to the MEK leadership and Camp Hurriya residents that Camp Hurriya remains a target and further delays in resettlement jeopardizes the safety and security of residents.

Questions for the Record Submitted to
Secretary of State John F. Kerry by
Representative Mario Diaz-Balart (#9)
House Appropriations, Subcommittee on Foreign Operations
April 17, 2013

Question:

Issuing a travel warning is a serious designation with long stemming ramifications. For example, because of the travel warning, most colleges and universities bar students from studying abroad in Israel. Some universities even require students to withdraw or petition to study abroad, and some don't allow study abroad in Israel but in neighboring Middle Eastern countries (Egypt, Jordan, Turkey). The security situation in Gaza and the West Bank varies substantially from the situation in Israel. Is the State Department willing to provide distinct travel warnings separately for Israel, the West Bank, and Gaza?

Answer:

The protection of U.S. citizens living and traveling abroad is the highest priority of the Department of State. Providing U.S. citizens reliable information on conditions overseas that may pose risks to their well-being is essential to discharging that responsibility. The Travel Warning for Israel, the West Bank, and Gaza, first issued on October 12, 2000, and last updated on December 20, 2012, provides information on the current security situation and reflects the concerns of the U.S. government regarding that and the threat of terrorism in the area. The current Travel Warning reminds U.S.

citizens of the risks of traveling to Israel and the West Bank; however, it does not warn against travel there.

The borders between Israel and the Palestinian territories are a sensitive final-status issue that can only be resolved through direct negotiations between the parties. The final status of many areas covered by the Travel Warning remains subject to negotiations between the parties, making it difficult to clearly delineate each region in separate warnings.

We understand that this Travel Warning, and Travel Warnings in general, may be a factor contributing to the decision of some U.S. universities to cancel or not administer their study abroad programs in certain locations. The decision as to whether to establish or maintain study abroad programs, or to limit or prohibit students from traveling to a particular country, is the purview of each respective university or other academic institution.

Question for the Record Submitted to
Secretary of State John F. Kerry by
Representative Mario Diaz-Balart (#10)
House Appropriations, Subcommittee on Foreign Operations
April 17, 2013

Question:

Syria and Jordan: The ongoing conflict in Syria has caused more than a million refugees to flee to neighboring countries. These countries are struggling to host these displaced persons. In Jordan, the refugee flow has caused major strains on the Kingdom. During his visit to Amman in March, President Obama pledged additional American aid to support Jordan's efforts. What additional measures are we taking to assist Jordan in dealing with the growing numbers of Syrian refugees and to help ensure future stability there?

Answer:

We are closely following refugee outflows from Syria into neighboring countries and the strains they impose on governments and host communities. The pace at which Syrians have become refugees is alarming – the numbers have risen from 66,000 a year ago to over 1.3 million today. The generosity of neighboring countries is inspiring, but the capacities of local governments, families, social services, and civic organizations are severely strained as they seek to accommodate this flood of arrivals. We are working to provide assistance to host communities in Jordan where refugees are living. These cities and villages are holding school in double-shifts, coping with a shortage of hospital beds, and struggling to provide public

services while suffering from growing tensions as a result of hosting large numbers of refugees.

The United States has provided nearly $385 million in overall humanitarian assistance to the Syria humanitarian crisis and more will follow. Of this total, over $58 million has been directed to partners working in Jordan to assist refugees with shelter, food, health care, basic necessities, education and protection. In our discussions with humanitarian organizations that we fund, such as the United Nations High Commissioner for Refugees (UNHCR), we have urged them to identify and target the most vulnerable, meeting the needs of the majority of refugees who live outside of camps, and incorporating more robust support for over-burdened host communities. We have also discussed their respective contingency plans, including: humanitarian supplies; potential aid shortages; health and weather challenges; and major incidents that could result in large numbers of refugees.

We are looking at additional ways to boost support for host countries beyond emergency humanitarian assistance, so that host communities can continue to support refugees fleeing violence in Syria. The U.S. government is utilizing $20 million from the Complex Crisis Fund to support water conservation and small scale municipal water infrastructure renovation

activities in the northern governorates where the majority of Syrian refugees reside in host communities. Additionally, $10.7 million will be used to fast-track expansions of up to 20 schools receiving large numbers of Syrian students and launch new remedial math and reading programs to equalize all students' basic skills. These funds will also help Jordan's Ministry of Education scale up teacher training and procure materials for schools in impacted communities so that they can better accommodate vulnerable Syrian students. A new $52 million multi-year civil engagement project will help communities alleviate stresses by identifying issues that have the potential to lead to conflict. A grant of $700,000 will support an awareness-raising campaign to reduce early marriage, human trafficking, child labor and gender-based violence. We strongly support additional international aid to host communities to include health, education, energy, and water to minimize the burden of hosting up to one million Syrian refugees by the end of the year.

As the President announced on March 22, 2013, the U.S. government is providing an additional $200 million cash transfer to Jordan to reduce the financial strain on the sectors directly affected by refugees. As authorized by recent legislation, the U.S. government is moving forward with negotiating loan guarantees for Jordan. These actions, in coordination with

Jordan's $2.1 billion International Monetary Fund program and the reforms it requires, directly support stability in Jordan.

The U.S. government is committed to continuing to help Syria's neighbors, including Jordan, as they cope with refugee inflows. It is critical to regional political stability to keep borders open to all those fleeing the violence in Syria. We believe this international aid will demonstrate that the countries hosting the refugees are not in this alone.

Questions for the Record Submitted to
Secretary of State John F. Kerry by
Representative Mario Diaz-Balart (#11)
House Appropriations, Subcommittee on Foreign Operations
April 17, 2013

Question:

The Turkish Foreign Minister recently sent you a letter regarding the Cyprus question. During your recent meetings in Turkey, Mr. Secretary, did you discuss the Cyprus question with Turkish officials? Did you convey that US policy still continues to support the solution of a bi-zonal, bi-communal federation in Cyprus, based on UN Security Council Resolutions?

Answer:

In my recent meetings with Turkish officials, I discussed a range of pressing issues, including Cyprus. I expressed my support for the reunification of Cyprus as a bizonal, bicommunal federation, which has been the longstanding policy of the United States, consistent with United Nations Security Council Resolutions.

Questions for the Record Submitted to
Secretary of State John F. Kerry by
Representative Mario Diaz-Balart (#12)
House Appropriations, Subcommittee on Foreign Operations
April 17, 2013

Question:

As a result of the recent financial crisis in Cyprus, the new government finds itself having to implement very difficult austerity and financial measures to get the Cypriot economy back on track. Do you agree it would be unreasonable to expect the Cypriot government to engage in a new round of UN talks before the country has gotten back on its feet economically and is able to devote the necessary attention to the diplomatic process/problem of negotiating a just and lasting solution to the Cyprus question? Do you agree that negotiations for the solution of the Cyprus question should only resume once the appropriate preparations take place, so as to ensure that these will be meaningful and result-oriented, allowing for substantial progress and real prospects for a solution?

Answer:

I am pleased that both the Greek Cypriot and Turkish Cypriot leaders recently reaffirmed their commitment to finding a solution, and expect negotiations will resume once appropriate preparations have been made. The UN Secretary General's Special Advisor for Cyprus Alexander Downer was in Cyprus recently to hold meetings with both leaders on the way forward. During his visit, he expressed understanding that President Anastasiades must address Cyprus' significant economic challenges in the short term. The United States remains committed to supporting efforts under UN auspices to reunify Cyprus as a bizonal, bicommunal federation.

We do not seek to impose deadlines, but as the parties themselves have said in the past, the status quo is unacceptable. So while I recognize the challenging nature of the process, I hope the parties will reach a settlement as soon as possible.

Questions for the Record Submitted to
Secretary of State John F. Kerry by
Representative Mario Diaz-Balart (#13)
House Appropriations, Subcommittee on Foreign Operations
April 17, 2013

Question:

Significant natural gas finds off the coast of the Republic of Cyprus could contribute to the European Union's plans for energy diversification and future energy security. Do you continue to support the right of Cyprus to explore for natural gas in its exclusive economic zone (EEZ)? Are you concerned about threats by other countries to interfere in such exploration?

Answer:

I support Cyprus' right to explore for energy in its offshore areas. Disputes over energy exploration in Cyprus must ultimately be resolved through the negotiation process, under UN auspices, to reunify the island. Such a settlement will help to strengthen regional stability as it would facilitate the normalization of relations between Cyprus and Turkey. I believe that the island's oil and gas resources, like all of its resources, should be equitably shared between both communities in the context of an overall settlement.

Questions for the Record Submitted to
Secretary of State John F. Kerry by
Representative Mario Diaz-Balart (#14)
House Appropriations, Subcommittee on Foreign Operations
April 17, 2013

Question:

US Policy has always supported a solution to the Cyprus question that involves a bi-zonal, bi-communal, reunified Cyprus. I am concerned that funds used for bi-communal programs on Cyprus have been obligated without appropriate advanced notification to and consultation with the Government of the Republic of Cyprus. How can we work to address this issue and ensure that USAID funding is working in concert with US policy?

Answer:

Every activity implemented with U.S. funding in Cyprus is designed to help Greek Cypriots and Turkish Cypriots chart a path to peace and reunification in line with the Congressional mandate.

The United States is committed to consultation and transparency with the government of the Republic of Cyprus on our foreign assistance program. We have and will continue to be transparent and sensitive to issues raised by the Republic of Cyprus. Likewise, we will continue to consult with and be sensitive to the concerns of the Turkish Cypriot community.

That said, for the U.S. foreign assistance program to be effective, neither side can be allowed to make funding decisions reserved for the U.S.

Government. Indeed, it would contravene current Congressional report language directing that the organizations implementing the U.S. foreign assistance program, as well as the specific nature of that assistance, not be subject to the prior approval of any foreign government.

Questions for the Record Submitted to
Secretary of State John F. Kerry by
Representative Kevin Yoder (#1)
Subcommittee on State, Foreign Operations
And Related Programs
House Appropriations Committee
April 17, 2013

Question:

What is the State Department's strategy to combat corruption in countries where American Development Assistance is being provided?

Answer:

Fighting corruption remains a high priority for the State Department. Through multilateral mechanisms and bilateral assistance, the United States combats corruption internationally by promoting the adoption of shared commitments that provide a benchmark for anticorruption reform; developing processes to translate commitments into actions and enforcement, including through U.S. support for capacity-building projects; and sustaining political will and high-level attention.

To advance a common vision and shared commitments in the global fight against corruption, the United States is working with other countries to promote ratification and implementation of the UN Convention against Corruption (UNCAC) and similar treaties that focus on specific regions of the world. The UNCAC is a global instrument that requires measures to

prevent corruption, promotes the criminalization of bribery and other corrupt conduct, facilitates recovery of stolen assets, and fosters international law enforcement cooperation.

Likewise, the United States continues to work with other State Parties to the Convention on Combating Bribery of Foreign Public Officials in International Business Transactions. Parties commit to passing and enforcing laws to prohibit bribery in international business transactions, promoting a level playing field for honest businesses and ensuring that public resource decisions (e.g., procurement) are driven by the public interest rather than graft.

The State Department also invests in building developing countries' capacity to undertake anti-corruption-related reforms and to implement international good practices standards. In Fiscal Year 2012 alone, the State Department and USAID allocated over $1 billion in anti-corruption and good governance assistance. Additional anti-corruption assistance was provided through the Millennium Challenge Corporation's (MCC) Threshold Country Programs. No country may become eligible for MCC compacts (grants averaging $350 million per country) without a positive score on the MCC's anti-corruption indicator; this helps direct money to countries better able to manage it, and provides incentives for less well-

governed countries to improve their performance. The United States provides in-country expertise and training in areas ranging from financial management and regulatory reform to justice sector strengthening, legislative drafting, and public transparency and citizen oversight tools. These programs support the adoption, implementation, and enforcement of laws and policies that promote transparency and accountability.

The United States also supports a large number of regional efforts that promote implementation of anti-corruption standards through policy dialogue, regional training, and peer review, including in the Middle East-North Africa region, the Asia-Pacific region, Eastern Europe and Eurasia, Africa, and the Americas. The 2012 United States presidency of the G-8 launched Asset Recovery and Open Governance/Anti-corruption Action Plans for cooperation with Middle Eastern transition countries.

The United States supports efforts to bring high-level and multi-stakeholder attention to the problem of corruption and to innovative responses, such as the International Anti-Corruption Conference and the Open Government Partnership Initiative, which the United States co-founded in 2011 to promote transparency, accountability, and citizen participation. The United States was a founding member of the Extractive Industries Transparency Initiative (EITI), supports implementation around

the world as one of the largest donors to the EITI trust fund, and has announced its intention to implement EITI domestically. United States leadership promoted the adoption by G-20 Leaders of a comprehensive anti-corruption Action Plan in 2010. The United States is also supporting innovative public-private partnerships to combat corruption and illicit trade.

Opening countries' fiscal transactions to public scrutiny is a key to the fight against corruption. The State Department conducts reviews of the fiscal transparency of countries whose central governments receive U.S. assistance, and our Embassies develop action plans to work with governments and civil societies when greater openness is needed. The Department of State and USAID also provide Fiscal Transparency Innovation Fund grants to NGOs and governments. These grants support efforts such as improving financial management systems, drafting freedom of information act legislation, and enabling domestic and international NGOs to monitor budgets.

The U.S. government recognizes that corruption is a global challenge that overlaps with a number of other good governance challenges, and that there is no single silver bullet for fighting corruption. For this reason, the U.S. anti-corruption strategy is multi-pronged and includes efforts designed to

both directly and indirectly address corruption through various efforts to promote good governance. Thus, the U.S. efforts also include the following:

- strengthen the foundations for the rule of law and functioning criminal justice systems that are necessary to ensure citizen security, democracy, respect for human rights, and stable societies;
- disrupt transnational organized criminal networks; and
- improve the environment for civil society as an engine of oversight and reform.

The State Department and USAID also have a wide variety of measures in place to combat corruption in the use of U.S. foreign assistance.

Questions for the Record Submitted to
Secretary of State John F. Kerry by
Representative Kevin Yoder (#2)
Subcommittee on State, Foreign Operations
And Related Programs
House Appropriations Committee
April 17, 2013

Question:

What is the State Department doing to encourage foreign aid recipients to honor arbitration decisions from international organizations of which they are a member?

Answer:

Support for U.S. businesses operating overseas is a top priority for the State Department. We actively engage with foreign governments, including recipients of U.S. aid, to advance fair, nondiscriminatory, and transparent business climates. As part of this dialogue, we encourage governments to recognize the importance to their domestic business and investment climate of having effective means to resolve commercial disputes, including an open and fair judicial system and respect for arbitral decisions. We also emphasize to governments the need to comply with their international obligations.

Questions for the Record Submitted to
Secretary of State John F. Kerry by
Representative Kevin Yoder (#3)
Subcommittee on State, Foreign Operations
And Related Programs
House Appropriations Committee
April 17, 2013

Question:

In some nations who receive U.S. foreign aid, particularly in Africa, American companies are at a competitive disadvantage when governments set up high import duty/VAT/income tax structures only targeted at American companies. When American companies are competing in nations which are receiving assistance, is there any way for the State Department to encourage more fair tax treatment of U.S. goods?

Answer:

The State Department routinely engages with host country governments, including those that receive U.S. foreign aid, to address any competitive disadvantages faced by U.S. firms in overseas markets. As part of the Department's Economic Statecraft agenda, we are strongly committed to ensuring that U.S. firms have the ability to compete on a level playing field across the world. This not only fuels U.S. economic growth and job creation at home, but also promotes best practices internationally. This in turn stimulates investment and promotes development in developing economies

of strategic importance, complementing the objectives of our foreign assistance programs.

In addition to bilateral engagement, the State Department also works closely with the United States Trade Representative (USTR) to promote World Trade Organization (WTO) accession of developing countries. WTO accession provides a proven framework for adoption of non-discriminatory policies that encourage trade and investment, promote growth and development, and support the ability of U.S. firms to compete fairly overseas.

Questions for the Record Submitted to
Secretary of State John F. Kerry by
Representative Kevin Yoder (#4)
Subcommittee on State, Foreign Operations
And Related Programs
House Appropriations Committee
April 17, 2013

Question:

Can the State Department provide any update with regard to the situation which Seaboard Corporation is facing in Benin: enforcing a Grain and Feed Trade Association arbitration with regard to unpaid funds for rice trade?

Answer:

The U.S. Embassy in Benin has been working very closely with both the Seaboard Corporation and the Government of Benin to resolve this issue. Our Ambassador to Benin raised the issue with Benin's President Yayi, who in turn convened and has attended several meetings with the owners of the two Beninese companies involved, Seaboard's attorney, the Ministers of Interior and Justice, and other Government of Benin personnel at which President Yayi pressed the Beninese parties to make good on their obligations to Seaboard.

In April 2013 Seaboard reached a repayment agreement with one of the companies, Sogec. Under this agreement, Sogec initially pays Seaboard $500,000 and then pays the remaining $3.5 million in installments over the

next four years. On April 5, Seaboard confirmed to our Embassy in Benin that Sogec made the initial payment of $500,000.

We understand that Seaboard's attorney in Benin is negotiating a repayment agreement with the owner of the other company, Benko, covering the portion of the debt Benko acknowledges. The remaining portion of the debt is awaiting a new arbitration ruling by the Grain and Feed Trade Association in London.

Our Embassy in Benin will continue to work closely with Seaboard and Beninese authorities to achieve resolution of these disputes.

Questions for the Record Submitted to
Secretary of State John F. Kerry by
Representative Wasserman Schultz (#1)
House Appropriations, Subcommittee on Foreign Operations
April 17, 2013

Question #1:

Justification for MENA IF: Mr. Secretary, in May 2012, as a Senator, you said, "This is something that's been percolating a long time on the Hill and in the administration and it's really a no-brainer. We're witnessing a period of historic change in the Middle East, and it's impossible to predict what will happen next month, let alone next year, which is why the State Department should have the flexibility to deal with unforeseen contingencies." You went on to talk about how positive incentives can help empower moderates and reformers in the region. As a former legislator, you also intimately understand our concerns about management and accountability of our foreign assistance dollars. It's clear that we have an interest in ensuring these fragile transitions in the Middle East and North Africa protect universal human rights, and contribute to regional peace and stability, while we continue to have concerns about the kinds of leadership taking hold in the region. Regarding the Incentive Fund, could you explain your vision, Mr. Secretary, for these programs and what we can expect from them moving forward?

Answer:

The events unfolding in the Middle East and North Africa are the pre-eminent foreign policy challenge of our generation. U.S. strategic and security interests in the region are unchanged, but the pursuit of them relies on sustained democratic, economic, security and justice sector reforms that

respond to the aspirations of the region's citizens for dignity, opportunity, and self-determination.

The requested Middle East and North Africa Incentive Fund (MENA-IF) would support transitions region by advancing these democratic, institutional, and economic reforms.

The MENA- IF represents a new approach to assistance in the region, demonstrating a visible commitment to reform by tying assistance to credible and transparent reform agendas; disbursing resources based on progress achieved; and creating space for civil society actors to engage their government on priorities and hold their governments accountable for results.

We must have funds dedicated to support political reform and democratic transitions to sustain our influence with new governments, address the conditions that breed extremism and insecurity, and help the people of the region realize the promise of their revolutions.

We also seek to use a portion of these funds to provide immediate stabilization support to countries in transition, as we did this year with Tunisia, Egypt and Libya. We also know that change is coming to Syria. We will need to support the opposition and will need to be able to respond to the rapid pace of events on the ground. We need the MENA-IF so that we

have resources set aside for these contingencies, where we must provide assistance if we want to protect our national security interests.

Questions for the Record Submitted to
Secretary of State John F. Kerry by
Representative Wasserman Schultz (#2)
House Appropriations, Subcommittee on Foreign Operations
April 17, 2013

Question:

Bilateral Aid: As you know, we already annually appropriate billions of dollars to this region of the world. Why do you need additional resources for this kind of programming? What is it about this fund that helps achieve different outcomes, and why can't you achieve these goals through existing bilateral programs?

Answer:

While bilateral funding in the region is being reassessed to meet new requirements, and existing programs are being better calibrated to meet emerging needs, ongoing security commitments and challenges remain. Our ability to capitalize on the opportunities and address the challenges presented by the Arab Awakening requires both new resources and new methodologies to encourage reformers in the region to undertake political, security sector, and economic reforms that respond to citizen demands. Through the President's FY 2014 request for $580 million for the MENA IF, the United States Government seeks to support transparency, citizen engagement, and reform orientation necessary on the part of local authorities to sustain and advance democratic transitions, which will alter the assistance

relationship between the United States, its partner governments in the region, and their citizens.

Without MENA IF, we will have to reprogram funding from other programs to respond to ongoing needs in Syria and elsewhere in the region. Over the past 18 months, we have been forced to make difficult choices and move funding from other programs to support change in Egypt, Tunisia, Libya, Syria, Yemen, and Jordan. Over the last two years, we worked to mobilize $1.8 billion in response funding – including approximately $1 billion by making tradeoffs from other programs around the world. These are costs we cannot continue to absorb. Most of the funds made available, such as those available due to our glide path in Iraq and challenges with Pakistan, have been exhausted; further requirements will begin to impose even greater strain on our resources and force tradeoffs among other priority programs.

Questions for the Record Submitted to
Secretary of State John F. Kerry by
Representative Wasserman Schultz (#3)
House Appropriations, Subcommittee on Foreign Operations
April 17, 2013

Question:

Conditionality: The budget request says that political and/or economic reform plans will be the "entry point" for governments wishing to access MENA IF resources. What conditions, if any, do you anticipate being applied to MENA IF funding? What are the risks and benefits of placing reform-related conditions on aid to the region?

Answer:

The MENA-IF, as with all U.S. Government programs, ties our assistance to credible and transparent economic reform agendas proposed by partner governments, providing explicit support to reformers within emerging governments and strengthening their leadership. It is designed to disburse resources based on commitments made and progress achieved, creates space for civil society to engage their government on priorities and holds governments accountable for results.

Performance would be measured against mutually agreed to benchmarks included in the reform plans, which civil society monitoring progress. All monitoring and evaluation efforts associated with MENA-IF will be aligned with the Department of State's and USAID's rigorous

policies requiring evaluation of projects/programs using internationally accepted evaluation standards.

Question for the Record Submitted to
Secretary of State John F. Kerry by
Representative Wasserman Schultz (#4)
House Appropriations, Subcommittee on Foreign Operations
April 17, 2013

Question:

Syria and Jordan: The ongoing conflict in Syria has caused more than a million refugees to flee to neighboring countries. These countries are struggling to host these displaced persons. In Jordan, the refugee flow has caused major strains on the Kingdom. During his visit to Amman in March, President Obama pledged additional American aid to support Jordan's efforts. What additional measures are we taking to assist Jordan in dealing with the growing numbers of Syrian refugees and to help ensure future stability there?

Answer:

We are closely following refugee outflows from Syria into neighboring countries and the strains they impose on governments and host communities. The pace at which Syrians have become refugees is alarming – the numbers have risen from 66,000 a year ago to over 1.3 million today. The generosity of neighboring countries is inspiring, but the capacities of local governments, families, social services, and civic organizations are severely strained as they seek to accommodate this flood of arrivals. We are working to provide assistance to host communities in Jordan where refugees are living. These cities and villages are holding school in double-shifts, coping with a shortage of hospital beds, and struggling to provide public

services while suffering from growing tensions as a result of hosting large numbers of refugees.

The United States has provided nearly $385 million in overall humanitarian assistance to the Syria humanitarian crisis and more will follow. Of this total, over $58 million has been directed to partners working in Jordan to assist refugees with shelter, food, health care, basic necessities, education and protection. In our discussions with humanitarian organizations that we fund, such as the United Nations High Commissioner for Refugees (UNHCR), we have urged them to identify and target the most vulnerable, meeting the needs of the majority of refugees who live outside of camps, and incorporating more robust support for over-burdened host communities. We have also discussed their respective contingency plans, including: humanitarian supplies; potential aid shortages; health and weather challenges; and major incidents that could result in large numbers of refugees.

We are looking at additional ways to boost support for host countries beyond emergency humanitarian assistance, so that host communities can continue to support refugees fleeing violence in Syria. The U.S. government is utilizing $20 million from the Complex Crisis Fund to support water conservation and small scale municipal water infrastructure renovation

activities in the northern governorates where the majority of Syrian refugees reside in host communities. Additionally, $10.7 million will be used to fast-track expansions of up to 20 schools receiving large numbers of Syrian students and launch new remedial math and reading programs to equalize all students' basic skills. These funds will also help Jordan's Ministry of Education scale up teacher training and procure materials for schools in impacted communities so that they can better accommodate vulnerable Syrian students. A new $52 million multi-year civil engagement project will help communities alleviate stresses by identifying issues that have the potential to lead to conflict. A grant of $700,000 will support an awareness-raising campaign to reduce early marriage, human trafficking, child labor and gender-based violence. We strongly support additional international aid to host communities to include health, education, energy, and water to minimize the burden of hosting up to one million Syrian refugees by the end of the year.

As the President announced on March 22, 2013, the U.S. government is providing an additional $200 million cash transfer to Jordan to reduce the financial strain on the sectors directly affected by refugees. As authorized by recent legislation, the U.S. government is moving forward with negotiating loan guarantees for Jordan. These actions, in coordination with

Jordan's $2.1 billion International Monetary Fund program and the reforms it requires, directly support stability in Jordan.

The U.S. government is committed to continuing to help Syria's neighbors, including Jordan, as they cope with refugee inflows. It is critical to regional political stability to keep borders open to all those fleeing the violence in Syria. We believe this international aid will demonstrate that the countries hosting the refugees are not in this alone.

Questions for the Record Submitted to
Secretary of State John F. Kerry by
Representative Debbie Wasserman Schultz (#5)
House Appropriations, Subcommittee on Appropriations
April 17, 2013

Question:

HIV/AIDS: Mr. Secretary, we know that HIV/AIDS has a disproportionate impact on women and women's health. Globally, HIV is the leading cause of death of women of reproductive age, and maternal mortality would be 20 percent lower in the absence of HIV. Preventing mother-to-child transmission (PMTCT) has been a priority for both PEPFAR and the Global Fund. As of December 2012, 1.7 million HIV-positive pregnant women are receiving treatment through Global Fund-supported programs, thanks in large part to U.S. robust funding of the Global Fund. Scale-up of interventions like these makes the elimination of new HIV infections in children possible. How will the U.S. government ensure that PEPFAR and Global Fund-supported programs help to achieve the President's goal of reaching an AIDS-free generation?

Answer:

The President's Emergency Plan for AIDS Relief (PEPFAR) is on track to meet President Obama's World AIDS Day treatment target and advance progress towards creating an AIDS-free generation, as outlined in the *PEPFAR Blueprint*. We announced in December 2012 that PEPFAR is currently supporting 5.1 million people with lifesaving treatment for AIDS, up from 1.7 million in 2008—a three-fold increase in only four years.

Scientific advances and their successful implementation have brought the world to a tipping point in the fight against AIDS. By making smart

investments based on sound science and a shared global responsibility, the U.S. can save millions of lives. PEPFAR is committed to making strategic, scientifically-sound investments to rapidly scale up HIV prevention, treatment and care interventions and maximize impact, particularly in high-burden countries. PEPFAR's combination HIV prevention strategy comprises a core set of interventions that, especially when pursued in concert, provides the potential to end the epidemic: prevention of mother-to-child transmission (PMTCT) of HIV; antiretroviral treatment (ART) for people living with HIV; voluntary medical male circumcision (VMMC) for HIV prevention; and HIV testing and counseling (HTC), condoms, and other evidence-based and appropriately targeted prevention activities.

Through its continued support for scale-up of this core combination prevention package, particularly in high-burden countries, PEPFAR will assist in reducing new HIV infections and decreasing AIDS-related mortality, while simultaneously increasing countries' capacity to sustain these efforts over time. This will, in turn, move more countries past the tipping point in their HIV epidemics—the point at which the annual increase in new patients on ART outpaces annual new HIV infections—and put them on the path toward achieving an AIDS-free generation.

The United States alone cannot achieve an AIDS-free generation. It requires the commitment of partner countries, reinforced with support from donor nations, civil society, people living with HIV, faith-based organizations, the private sector, foundations and multilateral institutions, including the Global Fund.

PEPFAR and the Global Fund financed programs are, to an even greater extent than ever before, complementary and deeply intertwined in countries where both exist. Better program coordination, decreased costs, and greater efficiencies between Global Fund and U.S. investments are helping to increase coverage of essential HIV services, and will also significantly impact our ability to create an AIDS-free generation.

Questions for the Record Submitted to
Secretary of State John F. Kerry by
Representative Wasserman Schultz (#6)
House Appropriations, Subcommittee on Foreign Operations
April 17, 2013

Question 6:

Every year, an estimated 14 million girls are married before they turn 18. Child marriage is a truly global problem that cuts across countries, cultures, religions and ethnicities, and is also a particularly persistent problem. Often simply outlawing the practice does nothing to reduce rates of child marriage, for the practice finds its roots in poor family planning, cultural undervaluing of girls compared to boys, and a lack of economic and educational opportunities for girls. In the coming year, what role will the State Department play in addressing those root causes to prevent child marriage?

Answer:

I share your desire to see robust commitments to addressing the root causes of child marriage which will help prevent and, ultimately, end the harmful practice. The Department of State is committed to working to address child marriage and has made the issue a priority as part of our effort to put women and girls at the heart of our foreign policy. Child marriage increases girls' vulnerability to violence, undermines their full enjoyment of their human rights, threatens their health, and deprives them of critical educational and economic opportunities. Child marriage traps girls and their families in poverty. It is essential that we have a coordinated and concerted

effort from the entire international community to address this issue in a way that ensures both governmental and grassroots participation.

We continue to shed light on the issue of child marriage on the global diplomatic and development stage. For example, we have worked with G8 leaders to highlight our shared concerns about this issue through the G8 Foreign Ministers' Chair's Statement in April 2012. Furthermore, we have worked to ensure that reporting on child marriage is strengthened in our annual human rights reports, requiring all countries to report on the minimum age of marriage. This past fall, on the first ever United Nations International Day of the Girl Child, the United States highlighted efforts to address child marriage and the need for further attention to this critical issue.

We support programs and research around the world addressing this issue. In India, Tanzania, Ethiopia and Burkina Faso we are supporting studies that are examining various ways to delay child marriage. Furthermore, USAID supports regular data collection on age of marriage through the Demographic and Health Surveys (DHS) to track the prevalence of child marriage, identify hot spots, increase awareness of the problem, and develop appropriate interventions and policies for prevention of child marriage in high-burden areas. USAID has also partnered with the Government of Bangladesh and UNICEF to pilot a program that aims to empower

adolescent girls and their families in meaningful decision- making related to marriage, education, and reproductive health.

In the year ahead, we will continue to address child marriage as part of our U.S. Strategy to Prevent and Respond to Gender-based Violence Globally and accompanying Presidential Executive Order directing its implementation. USAID's "Vision for Action on Ending Child Marriage and Meeting the Needs of Married Children" also strengthens our commitment to address this issue through our development programs. The recently passed Violence Against Women Act (VAWA) also includes a mandated strategy to prevent child marriage and promote the empowerment of girls at risk of child marriage in developing countries.

Questions for the Record Submitted to
Secretary of State John F. Kerry by
Representative Wasserman Schultz (#7)
House Appropriations, Subcommittee on Foreign Operations
April 17, 2013

Question:

Human Trafficking: During your recent remarks at the White House Forum to Combat Human Trafficking, you identified trafficking in persons as an issue that has been important to you for a long time. As the new Chair of the President's Interagency Task Force to Monitor and Combat Trafficking in Persons, you are now in an especially unique position to develop the United States as a world leader on human trafficking prevention. Considering that a large number of victims in the United States are trafficked here from other regions of the world, how will you partner with other countries and international organizations to prevent human trafficking?

Answer:

For more than a decade, the United States has been a world leader in combating human trafficking using the multi-dimensional "three P" approach of prosecuting traffickers, protecting victims, and preventing the crime from occurring in the first place. Our leadership has been demonstrated in the release of the annual Trafficking in Persons Report, which is our most effective diplomatic tool to engage foreign governments on human trafficking. Last year, we assessed the efforts of 186 countries, including the United States. Since the Report's initial release in 2001, over 120 countries have enacted laws prohibiting all forms of human trafficking.

Moreover, we also assess the United States, thereby holding ourselves to the same standards as other countries. This not only reinforces the credibility of the Report, but also helps us improve our own response to the crime.

As Secretary of State, I look forward to building on the progress we have made over the last decade through interagency collaboration, as well as robust partnerships with other governments and international organizations to work together to end human trafficking. As I stated in my video remarks at the White House Forum, government efforts alone cannot solve this problem. Using the Trafficking in Persons Report and its country recommendations as a guide, I will continue to engage foreign governments diplomatically to take concrete steps to improve their anti-trafficking response, and where appropriate, offer the U.S. government's support in the form of foreign aid, training, and technical assistance to sustain and bolster their efforts. We will also continue to pursue partnerships with outside organizations, including non-governmental, international, academic, legal, and business groups, to build a more comprehensive, effective approach to attacking this problem. Recently, the State Department announced a new public-private partnership with New Perimeter, LLC, a non-profit organization established by the global law firm DLA Piper, to increase the availability of pro bono legal services for trafficking victims and training for

legal professionals to ensure they have the tools they need to deal with this crime. We have also supported innovative solutions and online tools like SlaveryFootprint.org, a website designed to educate consumers on how their choices contribute to the demand for forced labor. I plan to continue to build on our existing partnerships and demonstrate our ongoing commitment to this issue by enlisting new partners from different sectors to help ensure no man, woman, or child becomes victim to the scourge of modern slavery.

Questions for the Record Submitted to
Secretary of State John F. Kerry by
Representative Wasserman Schultz (#8)
House Appropriations, Subcommittee on Foreign Operations
April 17, 2013

Question:

I was thrilled to join you and the President on your trip to Israel last month. It's hard to express what a breathtaking honor it was to be part of a Presidential delegation in a foreign country, and to celebrate the bonds between our two nations. In the aftermath of this successful trip to Israel and the West Bank, you have been very active in trying to jumpstart the peace process, emphasized by your return travel to the region. Can you update the committee on the status of your efforts? What are the next steps? In the wake of Salam Fayyad's resignation and the absence of a concrete plan to return to the negotiating table, how can we work to increase confidence building measures on both sides?

Answer:

As you know, I have been working hard to follow up on the President's efforts to re-engage the parties and am dedicated to helping to end this conflict. The status quo between the Palestinians and Israelis is unsustainable. Despite the difficulties that lie ahead, we remain committed to doing our part to help the parties return to direct negotiations.

I am personally involved and fully engaged with both sides, as well as with governments within the region and across the globe with a stake in Middle East peace. Since taking office, I have met privately and separately with the parties to get a better sense of where they are, to find out what is

possible, and to find common ground to end this conflict. In my engagement, Israeli and Palestinian leaders have shown a seriousness of purpose and a commitment to explore how we can actually get to direct negotiations.

We are working on an economic initiative for the Palestinians. The U.S. government, through USAID, is already the leading provider of bilateral economic assistance to the Palestinian people. This initiative will complement the work that we have underway across a variety of sectors. We want to consult with the many interested parties prior to making any final decisions.

There will be a heavy emphasis on leveraging the private sector, and we do not envision the need for any additional U.S. budgetary resources for this initiative. As soon as decisions are reached, we will of course brief Congress on the details.

Economic efforts are not a substitute for the political track. We remain focused on creating the conditions needed to re-establish productive negotiations between the parties with the goal of two states for two peoples living side-by-side in peace and security.

In regards to Salam Fayyad, he has been a strong partner to the international community and a leader in promoting economic growth, state-building, and security for the Palestinian people. We look to all Palestinian leaders and the Palestinian people to continue these efforts. The aspirations of the Palestinian people and the work of the Palestinian Authority are bigger than any one individual. We are committed to moving forward with economic and institution-building efforts in the West Bank – not as a substitute for, but rather in parallel with our diplomatic efforts. The resignation of Prime Minister Fayyad should not derail this economic initiative or our efforts to promote peace and security.

Questions for the Record Submitted to
Secretary of State John F. Kerry by
Representative Wasserman Schultz (#9)
House Appropriations, Subcommittee on Foreign Operations
April 17, 2013

Question:

The sexual abuse and exploitation of children, including the commercial sex trade and the production of child pornography, is a global problem that requires a coordinated global response, involving domestic law enforcement and their foreign counterparts, the Department of Homeland Security, and the State Department. It is my understanding the Department is requesting additional staffing in the Office of the Coordinator for Cyber Issues. Can you address how this office and the State Department can assist in coordinating a global response to these cyber-enabled crimes, including the interdiction of child sex tourists?

Answer:

The United States is dedicated to responding to and managing all cyber threats, including those targeting the most vulnerable populations. Drawing on partners from across the USG, the State Department assists in the fight against Internet-enabled criminal activity by raising international awareness of these issues, including child sex tourism (CST) and cooperating with counterparts to aid in the detection, identification, and prosecution of offenders. Within the Department, the Office of the Coordinator for Cyber Issues (S/CCI) leads the integration of the many cyber-related elements to ensure the development and execution of cohesive

diplomatic cyber policy. This activity supports the Department's resolution to establish cyber as a foreign policy imperative and necessitates a strong team with pertinent expertise.

Partnering with the Department's Bureau for International Narcotics and Law Enforcement Affairs (INL), which manages crime funds designated for regional and bilateral capacity building to strengthen the foreign law enforcement efforts against cybercrime, S/CCI has sponsored trainings on the critical importance of developing a strong legal framework to facilitate the prosecution of cybercrimes, such as cyber-enabled CST. The Department has also raised the issue of online child protection in international venues, highlighting U.S. commitment to apprehend persons who engage in such crimes and supporting other countries in the development of similar infrastructure.

The Department's Office to Monitor and Combat Trafficking in Persons (J/TIP) has engaged stakeholders in the travel, tourism, and hospitality sector and assisted their efforts to increase the public's knowledge about the penalties associated with CST. J/TIP also flags the issue of child sex tourism, as appropriate, in the Annual Trafficking in Persons Report country narratives. Additionally, the Department's country-specific information web pages publish warnings to U.S. citizens about sex

tourism, citing both U.S. and local laws. These efforts complement a U.S. Customs and Border Protection (CBP) project to place ads in airline magazines and posters in international arrival areas alerting travelers to U.S. laws against CST. CPB worked with foreign governments to place posters with similar messaging in airports overseas. Moreover, the Department of State's Bureau of Consular Affairs Passport Services denies issuance of passports to individuals known to be convicted of CST violations.

Furthermore, U.S. Embassies' Regional Security Officers work closely with U.S. Immigration and Customs Enforcement's Homeland Security Investigations (ICE/HIS), CBP, the Department of Justice's Child Exploitation and Obscenity Section, U.S. Attorneys, and foreign law enforcement agencies in the investigation of CST cases, domestically and abroad. Through these combined efforts, the United States has established itself as a global leader in the prevention and deterrence of online child sexual abuse, while also dedicating significant technological and investigative capabilities and resources to rescuing child victims of these crimes.

As Coordinator Painter recently testified to the House Foreign Affairs Committee, "the United States is the clear world leader in combating cybercrime and devotes extensive resources to helping other countries

develop their ability to fight it." As exemplified by the interagency work against CST, these issues demand a sophisticated, coordinated response supported with appropriately-allocated resources.

Questions for the Record Submitted to
Secretary of State John F. Kerry by
Representative Wasserman Schultz (#10)
House Appropriations, Subcommittee on Foreign Operations
April 17, 2013

Question:

Election Results: Very briefly, if you could – we are very concerned with reports from the recent elections in Venezuela – Could you please tell us briefly about the Administration's position on the outcome of the election?

Answer:

The close results of the April 14 presidential elections in Venezuela demonstrated an evenly divided electorate and a highly polarized society. Given the tightness of the result – just over one percent of votes cast separate the candidates – the opposition candidate, Henrique Capriles, and one member of the electoral council called for a 100 percent recount of the results and a full investigation into alleged electoral irregularities.

The Venezuelan National Electoral Council (CNE) has the responsibility under the Venezuelan constitution to make declarations certifying the results, but the CNE's decision to declare Maduro the victor before completing a full audit was difficult to understand. The CNE did not explain its haste to take this decision.

Acting President Nicolas Maduro previously expressed his support on election night for an audit of 100 percent of the paper ballots. Our position,

shared by the European Union, continues to be that a full recount and review of the alleged irregularities would be important, prudent, and necessary in ensuring that the election met the democratic aspirations of the Venezuelan people.

Questions for the Record Submitted to
Secretary of State John F. Kerry by
Representative Debbie Wasserman Schultz (#11)
Subcommittee on State, Foreign Operations
And Related Programs
House Appropriations Committee
April 17, 2013

Haiti

Question:

Is it the position of the US Government that UN troops introduced cholera into Haiti and therefore the institution should be responsible for addressing its impact, including ensuring full funding of the Initiative for the Elimination of Cholera on the Island of Hispaniola?

Answer:

The U.S. government has focused its response to cholera in Haiti on how we can work with the Government of Haiti to combat the disease.

The United Nations has been a critical partner in helping Haiti address cholera since the outbreak began in late 2010. As a first step, UN Secretary-General Ban Ki-moon established an inter-agency Task Force to recommend actions the UN should take. In 2011, during the height of the epidemic, over three million Haitians -- nearly a third of the population -- received potable water, water treatment equipment, and sanitation supplies from the UN Stabilization Mission in Haiti (MINUSTAH), UN agencies, and their humanitarian partners.

In addition to meeting immediate needs, the international community's efforts have focused on longer-term measures. In January 2012, the Presidents of Haiti and the Dominican Republic, together with representatives of the Pan American Health Organization/World Health Organization (PAHO/WHO), UNICEF, and the Centers for Disease Control and Prevention (CDC), issued a call to action to eliminate cholera from both countries through new investments in water and sanitation infrastructure.

The next step was the formation of a new Regional Coalition on Water and Sanitation for the Elimination of Cholera in the Island of Hispaniola in June 2012. This has expanded into a formal coalition of 17 partners, including the Inter-American Development Bank and the Haitian Association of Medical Physicians Abroad.

The United States in turn has spent more than $95 million on improved water, sanitation, and hygiene facilities; establishing and running cholera treatment centers; training Haitian health care workers in preventing, diagnosing and treating cholera; and providing treatment and prevention materials. We continue to strengthen the capacity of the Ministry of Health, to monitor the outbreak, and maintain a pipeline of supplies to ensure that our support to the Haitian government remains consistent to treat and prevent cholera.

We are also working to build capacity in Haiti's health care system more broadly. Between appropriated and requested funds, the U.S. government has budgeted about one billion dollars over five years to rebuild and strengthen Haiti's health system.

We are working with the Government of Haiti to increase access to quality integrated health services with a focus on maternal and child health, nutrition, family planning, HIV and other infectious diseases, and disability care; to improve health information and supply chain management systems; and to rebuild health facilities and physical health infrastructure.

Our goal, which was reaffirmed in a Partnership Framework agreement signed by the Government of Haiti and the U.S. government on June 26, 2012, is to advance the Haitian government's ownership and oversight of an adaptable and self-correcting public health system, and to reduce its dependence on donor support over time.

Combating cholera in Haiti is a long-term challenge. The U.S. government remains committed to working with our international partners to build the Government of Haiti's capacity to deal with all of the country's healthcare needs, including the cholera epidemic.

At the present time, the U.S. government has not been authorized by Congress to donate to a UN-managed fund but remains focused on meeting

its funding commitments to Haiti, as outlined in the U.S. Government's Post-Earthquake Haiti Strategy and the Global Health Initiative Partnership Framework Agreement.

QFR Secretary Kerry's hearing
CONGRESSWOMAN BARBARA LEE

On PEPFAR:

Q: I commend PEPFAR for finding efficiencies, and bringing down the price of drugs—this is very important—but how can these proposed cuts (and on top of that you have sequestration) not affect programs and the goals laid out in the AIDS-free Generation Blueprint?

Q: I am following closely the creation of the new Office for Global Health Diplomacy and I am pleased that this is being led by Ambassador Goosby. What are the goals for this office?

On the Global Fund Fourth Replenishment / U.S. Leveraging
Mr. Secretary, I understand that the Global Fund's fourth replenishment is currently underway and will culminate in a pledging conference in the fall of 2013. Historically, the U.S. has been the top donor to the Global Fund. We have also pushed important reforms that the Fund is now implementing.
Q: In terms of leveraging contributions from other countries, how important is it for the U.S. government to make a multi-year commitment to the Fund?

On Haiti:
Q: According to the last report, just over 50% of the funds made available for Haiti reconstruction through FY 2012 have been disbursed. Given the overwhelming needs in the country, why have we not been able to move faster?

Q: I appreciate the efforts to involve the Haitian government and follow their lead in the reconstruction efforts. Has the government been able to take a leadership role? There were another string of resignations last week, including the Finance Minister, and parliamentary elections are long overdue. How are governance challenges affecting the development progress?

[CLERK'S NOTE.—Responses to the questions were not provided by the Department.]

WEDNESDAY, APRIL 24, 2013.

UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT

WITNESS

DR. RAJIV SHAH, ADMINISTRATOR, UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT

OPENING STATEMENT BY CHAIRWOMAN GRANGER

Ms. GRANGER. The Subcommittee on State, Foreign Operations, and Related Programs will come to order.

I would like to welcome the Administrator of the USAID, Agency for International Development. Dr. Shah, it is good to have you here. I understand it is your second hearing of the day. It is our third hearing of the day, so we will all try to be patient. Thank you for appearing here, bringing your budget for USAID for fiscal year 2014.

Unfortunately, the subcommittee has not yet received the administration's detailed budget document, so we don't have a lot of information to make funding decisions. There are several topics I would like for you to discuss today.

First, I will start with some concerns I have about the procurement policies that are part of USAID forward. I continue to think that these changes are being pushed too fast before many local organizations and countries have the capacity to properly manage the funds.

I am also concerned about how often U.S. organizations are being excluded from competing for funds. If local organizations and governments are qualified to compete for U.S. dollars they should, but I question why they should get such special treatment.

Next, I want to discuss Afghanistan, where USAID already faces enormous challenges as you implement the Agency's largest development program in the world in a very difficult security environment. And now as U.S. troops continue to withdraw from Afghanistan, your fiscal year 2014 request includes another $1.6 billion of assistance. The proper oversight of existing programs is critical, and before any new funds are appropriated, the subcommittee must know that funds will be monitored and that USAID employees and contractors will be safe as Afghan forces take the lead for security in that country.

I am particularly concerned about direct assistance to the government of Afghanistan when it is still not clear they are committed to addressing corruption and budget transparency. USAID is required by law to assess government ministries before funds are provided directly to them, but that is not enough, and weaknesses that are uncovered must be corrected. USAID should not just send

an adviser into a ministry to work on the problems while the funds continue to flow.

Next, I want to raise an issue that came up earlier this year. USAID just started a program to guarantee funding pledges for other donors. That is a very unusual use of foreign assistance, and we need to know if the administration plans to continue these funding guarantees in the future. We are having a difficult time living up to our own commitments at home and around the world, and it is risky to start guaranteeing what other donors have promised. I hope you can explain it more fully.

Now I would like to return to the administration's request for what you are calling food aid reform. I know this is very important to you, and the subcommittee will listen and consider carefully this proposal. It is possible there could be unintended consequences should the idea go forward. For example, if you look at funding levels over the last several years, this subcommittee's allocation has come in below the request. It could be very difficult to incorporate such a significant shift of funds within a lower allocation without jeopardizing other important programs.

Dr. Shah, these are just a few of the issues I hope we will get discussed today. And I will now turn to my ranking member, Mrs. Lowey, for her opening remarks.

OPENING STATEMENT BY MRS. LOWEY

Mrs. LOWEY. Welcome. I join Chairwoman Granger in welcoming you today, and I thank you for your leadership and hard work in restoring the capacity of our development assistance and improving the lives of those most vulnerable in the world. The strength of USAID has been and continues to be its people, and that begins at the top. You and the staff at USAID have a positive, long-term impact in developing countries. Working to reduce the enormous suffering across the globe is a bipartisan goal, one that is rooted in the fundamental generosity of the American people and the overriding national security needs of the United States.

I was extremely pleased to hear the President's commitment in the State of the Union this year to the goal of eradicating extreme poverty in the next 2 decades. There is no way to achieve this without a strong and effective USAID.

While the President's budget request balances many competing priorities, it acknowledges USAID's efforts to modernize both its operations and programs. Substantial funding levels for international education, economic opportunity and healthy populations promote stability, peace and economic growth.

While I am pleased with increases for maternal and child health and family planning, I am extremely disappointed with the Administration's shortsighted, unacceptably low request for basic education. Without basic literacy skills, it is impossible for a society to achieve food security, build democratic institutions, or sustain health outcomes. Without adequate communication and job skills, vulnerable populations have limited opportunities to lift themselves out of poverty and are more susceptible to terrorist recruitment. I have worked for a decade now to increase funding for education because it directly impacts the success and sustainability of every development priority from improvements in agricultural production to

decreased maternal and child mortality. I hope you will explain why this year's request would so drastically underfund basic education.

We also look forward to hearing from you about the transformation of the food aid program, which is a step in the right direction to make food aid more efficient and effective. It is critical to get the best value possible for our investments, including relieving hunger. However, we may be faced with a constrained 302(b) allocation and therefore must ensure this proposal does not negatively impact existing humanitarian response or important development investments in education, women, water and other areas.

I will quickly mention a few other issues I hope you will discuss in your testimony today.

First, the pace of reconstruction in Haiti has been too slow, and I would appreciate an update. Second, USAID must continue to focus on the status of women globally, especially in Afghanistan, as we draw down from there. I hope we also are focusing on the epidemic of gender-based violence worldwide but especially in the Middle East and North Africa.

I am pleased with the funding level requested for family planning programs, but I am concerned that we will again see attacks on these lifesaving efforts. I would like you to address the impact of cuts to our bilateral assistance and the imposition of divisive policies like the global gag rule as well as the importance of our relationship with UNFPA.

Finally, we know from the experience of staffing cuts in the 1990s that a hollowed out force inhibits our effectiveness and depletes morale. Inadequate staffing levels increase the potential for waste, fraud and abuse. What is your management team's strategy to remain robust and efficient in this difficult fiscal climate?

Thank you again for your service and that of your outstanding agency, and your tireless efforts on behalf of our Nation. I look forward to hearing your testimony.

Ms. GRANGER. Thank you, Mrs. Lowey.

I would like to add my concerns to Mrs. Lowey's concerns about education, and she has worked on it for decades and understands how important it is. Wherever we are going with help to other countries it will certainly have to include education.

Dr. Shah, your full written statement will be placed in the record. Please feel free to summarize your statement. We will have a hard ending here at 3:30 because of other meetings that we have. They will call votes sometime between 2:15 and 2:30. What we will do, if that happens, I will ask the subcommittee to hurry back as quickly as possible so we can get to that vote depending on whether votes actually happen.

And if you will pay close attention to the time limit, everybody will get to speak.

Dr. Shah.

OPENING STATEMENT BY DR. SHAH

Dr. SHAH. Thank you. Thank you, Chairwoman Granger, and thank you, Ranking Member Lowey. I am personally very appreciative for your support, your commitment to these issues, your leadership and your willingness to take time to offer both counsel

and serious oversight to help us get better at deploying our development mission around the world, so I am very grateful for the opportunity to be here and be with the committee and want to thank you personally.

This is an important moment for development. Drawing down from a decade of war requires rethinking how America projects power and values around the world. And we believe development will continue to be elevated as part of our national security and foreign policy engagements across the globe.

I recall just about a year and a half ago having the opportunity to visit Somalia in the midst of a famine and in that context I met children who were on the verge of starvation and mothers who had been through extraordinary challenges. It was American support in any number of forms which was keeping them safe and allowing them to survive. Just a few months ago, I had a chance to be back in Somalia this time not at a refugee camp on the border but actually in Mogadishu. And I saw the other side of what can happen when we work to build hope and opportunity. They had turned on 600 streetlights for the first time in Mogadishu and had a peaceful evening celebration for the first time in two decades.

We are working in more than 400 communities to help displaced persons go back to their homes, receive some seed, fertilizer, and farm implements and rebuild their own livelihoods so they don't remain in a cycle of dependency. And while there is so much more to do in that setting, it does give me hope that the new model of development we have tried to pursue with a focus on self-sufficiency, dignity, and partnership has been one that is achieving results.

Very briefly, our Feed the Future Program is a model of this engagement. We cut our agricultural programs in 23 countries to focus on 19 where we think we can deliver the best results, and we now know that our efforts have contributed to a 5.6 percent annualized poverty reduction rate in those countries. We reached more than 7 million farm households, motivated $3½ billion of private-sector investment to accelerate and complement our public investments, and led to real policy reforms, including efforts to fight corruption in these settings.

Similarly, our partnership to end preventable child death around the world is working. Again, we had to cut programs in 22 countries to focus on those 24 that account for the largest burden of disease. And, again, we rely on large-scale partnerships with everyone from vaccine manufacturers to zinc miners to help make sure that we get the products and technologies to children in order to save their lives.

We hope to expand and bring this partnership model to education, water and sanitation and in any number of areas that we agree are critical to expressing our values in the most effective results-oriented way.

Underpinning these efforts is the USAID Forward reform approach. It is an approach that focuses on a new form of partnership and engagement, on a prioritization of innovation, science and technology, and on a commitment to measure and report transparently on results.

Today, you can download an application on your iPad that will show you 186 independently conducted project evaluations unadulterated by us so we can all learn together from what works and what doesn't. Because of your support, we have been able to rebuild our staff, hiring 1,100 foreign service and civil service officers over the last several years and that has been necessary to do improved monitoring, evaluation and oversight of contracts and programs to save American taxpayer program resources over time.

We have made our work transparent by joining the International Aid Transparency Initiative and we have prioritized local solutions that can, at times, cost less and allow for more sustainability in how those programs are implemented.

As part of this year's budget, the President has proposed an important reform to our Food Aid Program. This reform is designed to reach 4 million additional children with basic core nutrition during times of extreme need without asking for additional funds.

This reform allows us to expand the flexibility with which we can meet needs in a changing world. Today, whether in opposition-controlled Syria or parts of Yemen or Somalia, traditional forms of humanitarian assistance are less effective and more flexible modern approaches are often required where there are real security threats for our humanitarian workers. The reform promotes efficiency and incorporates new science as the underpinning of how to deliver results-oriented aid and assistance. And the reform maintains and, in fact, renews the longstanding partnership with American agriculture, allowing for the majority of products and commodities to continue to be bought here in the United States and shipped on U.S.-flagged vessels but in an updated and modern way that benefits from what we know about how to most effectively improve lives for children and women.

I would like to take this moment to thank our staff and to thank you for your special concerns about our staff. This past year we lost one of our own, Ragaei Abdelfattah, in Afghanistan. It was the toughest moment for most of us here in Washington and around the world to have to go through. And we recognize that his family has made a sacrifice, an ultimate sacrifice, because this young man cared a lot about the people he worked with in a community in Afghanistan.

At a time when cuts across our government have required real efficiencies to be sought and expressed in this budget, our fiscal year 2014 request is 6 percent lower than our fiscal year 2012 enacted level. But we still believe that by doing things differently, by demanding more of others and by partnering for results, we can still have big aspirations, and those aspirations were reflected in the President's State of the Union Address where he, like other Presidents before him, called for us to achieve big things, to end extreme poverty in 2 decades, to end preventable child death in that same timeframe, to usher in an AIDS-free generation, to support transitions in the Middle East and Afghanistan, improve trade and economic ties with Africa and other parts of the world.

So I am very excited to have this opportunity to be with you and eager to get into the topics that you have laid out. Thank you.

[The statement of Dr. Shah follows:]

TESTIMONY OF
DR. RAJIV SHAH
ADMINISTRATOR,
U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT
FY 2014 BUDGET REQUEST
HOUSE APPROPRIATIONS SUBCOMMITTEE ON STATE AND FOREIGN OPERATIONS
WASHINGTON, DC
APRIL 24, 2013

Thank you Chairwoman Granger, Ranking Member Lowey, and members of the Committee. I am pleased to join you to discuss the President's fiscal year 2014 budget request for USAID.

In his State of the Union address, President Obama called upon our nation to join with the world in ending extreme poverty in the next two decades. Today, we have new tools that enable us to achieve a goal that was simply unimaginable in the past: the eradication of extreme poverty and its most devastating corollaries, including widespread hunger and preventable child and maternal deaths.

The President's fiscal year 2014 budget request responds to this call and the most critical development challenges of our time. It supports important global partnerships, including the New Alliance for Food Security and Nutrition and the Child Survival Call to Action, by increasing and focusing investments in food security and maternal and child health. It builds resilience in areas besieged by recurrent crisis and natural disaster, with a focus on the Horn of Africa and Sahel regions. And it advances a comprehensive food aid reform package that will enable us to feed two to four million additional people each year.

The President's request enables USAID to strategically advance our national security priorities by implementing critical economic growth, democracy, human rights, and governance programs in the Middle East and North Africa, as well as in support of the Administration's Asia-Pacific Rebalance. It also focuses activities in Afghanistan, Pakistan, and Iraq at an appropriate level to sustain the gains we have made in those countries over the last decade. And it strengthens economic prosperity, both at home and abroad.

I want to highlight how the investments we make in foreign assistance, which represents just one percent of the federal budget, help our country respond to the global challenges we face and how we have modernized our Agency to deliver results that shape a safer and more prosperous future.

A NEW MODEL FOR DEVELOPMENT: PARTNERSHIPS, INNOVATION, AND RESULTS

The FY 2014 request for USAID managed or partially managed accounts is $20.4 billion, six percent below the total enacted funding for FY 2012. In this tough budget environment, USAID is committed to maximizing the value of every dollar. We have made tough choices so that we are working where we will have greatest impact, and shifting personnel and funding resources towards programs that will achieve

the most meaningful results. Since 2010, regional program areas have been reduced by 29%, Feed the Future agriculture programs have been phased out of 22 countries, and USAID global health program areas have been phased out of 23 countries.

The President's FY 2014 request continues to build on gains we have made over the past year to work smarter and more effectively through a suite of ambitious reforms called USAID Forward. Through USAID Forward, the Agency has fostered new partnerships, placing a greater emphasis on innovation, and a relentless focus on results. These reforms have formed the foundation of a new model for development that continues to define the way we work around the world.

The FY 2014 budget provides funding to mobilize a new generation of innovators and scientists. Through our Development Innovations Ventures, we invite problem-solvers everywhere to contribute a cost-effective and cutting-edge idea that could scale to reach millions.

It provides funding for Grand Challenges for Development, capitalizing on the success of previous challenges to accelerate reductions in maternal and child mortality, promote childhood literacy, power agriculture through clean energy, and raise the voices of all citizens through technology. We have received more than 500 applications per challenge, with almost 50 percent of innovations coming from developing and emerging economies. For example, through *All Children Reading: A Grand Challenge for Development*, nearly three dozen organizations—half of them local—are pioneering a range of novel approaches to education, from helping children in India learn to read with same language subtitling on movies and TV to bringing fully stocked e-readers to rural Ghana.

The request accelerates advances of USAID's Higher Education Solutions Network, a constellation of seven development innovation labs on university campuses that work with a global network of partners to provide solutions for key development challenges, leveraging tens of millions of dollars of university and private-sector financing.

The 2014 request also allows us to work more effectively with a range of partners, from faith-based organizations to private sector companies. A new focus on leveraging private sector resources has enabled us to dramatically expand our Development Credit Authority—unlocking a record $524 million in FY 2012 in commercial capital to empower entrepreneurs around the world. Last year alone, we increased our contributions to public-private partnerships by almost 40 percent, leveraging an additional $383 million.

This funding also allows us to rigorously measure and evaluate our work so we know which of our development efforts are effective and which we need to scale back or modify. Since the launch of our evaluation policy, 186 high quality evaluations have been completed and are available on our website or through a mobile "app" that is easily downloaded. Half of these evaluations have led to mid-course corrections and one-third has led to budget changes.

A new emphasis on supporting local solutions has enabled us to shift $745 million in funding to local institutions, firms, and organizations in the last year alone—helping replace aid with self-sufficiency.

When we partner with developing country institutions, we use sophisticated tools to assess their financial management capacity and safeguard U.S. resources.

As part of our new model, we're insisting our partners make policy reforms and fight corruption in order to meet the conditions of our assistance. Through new models of partnership that demand mutual accountability—including the New Alliance for Food Security and Nutrition and the Tokyo Mutual Accountability Framework for Afghanistan—we are creating incentives for governments to strengthen their own institutions.

Across our work, we are moving from a traditional approach of top-down development to a new model that engages talent and innovation everywhere to achieve extraordinary goals. In education, a core development objective, we are harnessing this new approach to help close the gaps in access and quality of education. We know that globally 171 million people could be lifted out of poverty if all students in low-income countries gained basic literacy. Our strategy for basic education is focused on improving reading skills for 100 million children in primary grades by 2015 and increasing equitable access to education in crisis and conflict environments for 15 million learners by 2015.

FOOD AID REFORM

At its foundation, our new model of development shares the bedrock principles of effectiveness and efficiency that serve as the clarion call for government today.

There is perhaps no better example of this fundamental imperative than the food aid reform package proposed in this year's budget request, which would enable us to feed two to four million more hungry men, women and children every year with the same resources, while maintaining the valuable contribution of American agriculture to this mission.

Through P.L. 480 Title II, or Food for Peace, America's agricultural bounty and generosity have fed well over a billion people in more than 150 countries since 1954. But while the world has changed significantly since Title II was created, our hallmark food assistance program has not. The current program limits our ability to use the appropriate tools for each humanitarian situation—tools we know will help people faster and at a lesser cost.

Buying food locally can speed the arrival of aid by as many as 14 weeks—making up precious time when every day can mean the difference between life and death. It can also cost much less—as much as 50 percent less for cereals alone. In complex environments such as Syria and Somalia, which are increasingly the kind of crises where we need to provide assistance, these more flexible tools are invaluable.

The more agile, flexible, and modern approach laid out in the President's budget request pairs the continued purchase of the best of American agriculture with greater flexibility around interventions such as local procurement, cash transfers, and electronic vouchers. The President's proposal maintains the majority of our emergency food aid funds—55 percent in 2014—for the purchase and transport of American commodities. That means we're going to keep working with soy, wheat, pulse, and rice

farmers and processors across America who help feed hungry children from Bangladesh to the Sahel—often in the form of specialized high nutrition products.

At a time of urgent human need and budget constraints, we can save more lives without asking for more money.

The proposal also reaffirms our commitment to development partners who receive Title II funding, enabling them to provide the same types of development programs at a lower cost. These programs strengthen our ability to reduce chronic poverty, build resilience, and help prevent future crises.

FEED THE FUTURE

Ending hunger and creating a food secure world are vital components of the fight to end extreme poverty. Launched in 2009 by President Obama, Feed the Future is unlocking agricultural growth, helping transform developing economies and ending the cycle of food crises and emergency food aid. Although the initiative is still in its early days, we are beginning to see significant results.

In Rwanda, we have reached 1.6 million children under five with nutrition programs that reduced anemia, supported community gardens, and treated acute malnutrition. In Bangladesh, we helped more than 400,000 rice farmers increase yields by 15 percent through the more efficient use of fertilizer, which led to the first-ever rice surplus in the country's poorest state. In FY 2012, we helped more than 7 million farmers across the world apply these kinds of new technologies and practices, four times the number we reached the previous year.

The FY 2014 request provides $269 million for the President's G-8 commitment to the New Alliance for Food Security and Nutrition, which aims to lift 50 million people in sub-Saharan Africa out of poverty in the next decade. Since its inception at last year's G-8 Summit, we have helped leverage more than $3.75 billion in commitments from more than 70 global and local companies. In Tanzania, Yara International is constructing a fertilizer terminal at the nation's largest port, and, in Ethiopia, DuPont is expanding seed distribution to reach 35,000 smallholder maize farmers and increase productivity by 50 percent.

At the same time, participating African governments have committed to serious market-oriented reforms. Tanzania has removed its export ban on staple commodities, Mozambique eliminated permit requirements for inter-district trade, and Ethiopia no longer imposes export quotas on commercial farm outputs and processed goods.

GLOBAL HEALTH

Thanks to strong bipartisan support we are on track to provide life-saving health assistance to more people than ever before. The FY 2014 Global Health request supports our goals of creating an AIDS- free generation, ending preventable child and maternal death, and protecting communities from infectious diseases.

Across our global health portfolio, we are aligning our budgets to the areas of greatest need. Now, 90 percent of USAID bilateral maternal and child health funding is in the 24 USAID priority countries that account for three-quarters of maternal and child deaths.

The request supports the continuation and scale-up of high-impact HIV/AIDS prevention, care, and treatment tools in pursuit of an AIDS-free generation. The request also provides $1.65 billion under PEPFAR for the U.S. contribution to the Global Fund to Fight AIDS, Tuberculosis, and Malaria.

In June, USAID co-hosted a Call to Action to accelerate progress and end preventable child death. A powerful example of how our new model of development can rally diverse partners behind ambitious but achievable goals, the Call to Action has encouraged more than 170 countries, 200 civil society organizations, and 220 faith-based organizations to sign a pledge to help reduce child mortality. This global effort builds on an 8 percent reduction we have seen from 2008 to 2011 in child mortality in countries where the U.S. Government provides assistance.

We will continue to fund critical efforts in voluntary family planning, immunizations, nutrition, malaria, tuberculosis, and neglected tropical diseases—cost-effective interventions that save lives, while preventing the spread of disease.

SUPPORTING STRATEGIC PRIORITIES AND STRENGTHENING NATIONAL SECURITY

Across the world, we are strengthening democracy, human rights, and governance, with a special emphasis on marginalized populations, including women and youth. Support for democratic and economic transitions enables the rise of capable new players who can help solve regional challenges and advance U.S. national security.

Since January 2011, the State Department and USAID have allocated more than $1.8 billion to support democratic transitions in the Middle East and North Africa and respond to emerging crisis needs in the region. The President's Request of $580 million for the Middle East and North Africa Incentive Fund provides support to citizen demands for change, improves our ability to respond adroitly to new challenges and opportunities, and begins to address the imbalance between our security and economic assistance in the region.

The budget request supports our humanitarian assistance work around the globe in places where the need is greatest. This is particularly true in Syria, where at least 4 million people are in need of humanitarian assistance and 2 million are displaced. To date, State and USAID have provided nearly $385 million in humanitarian relief to the Syrian people.

In Iraq, Afghanistan and Pakistan, USAID continues to work closely with interagency partners including the State and Defense departments, to move toward long-term stability, promote economic growth, and support democratic reforms, including the rights of women. Despite the challenges, we have seen a number of positive gains. For example, over the past decade in Afghanistan, we have increased access to education, resulting in dramatic increases in primary school enrollment from 900,000 boys in 2002 to 8 million students in 2012, 37 percent of whom are girls. In Iraq, USAID-funded legal clinics have

supported over 1,700 legal cases on behalf of vulnerable individuals, including internally displaced persons and ethnic and religious minorities.

The President's budget request supports the Administration's Asia-Pacific Rebalance by increasing funding for the region to address critical gaps in core programs to renew U.S. leadership, deepen economic ties, promote democratic and universal values, and strengthen diplomatic engagement. In addition, we are seizing new opportunities for partnership in Asia, including in Burma, a nation undertaking political and economic reform.

GLOBAL CLIMATE CHANGE AND BUILDING RESILIENCE

As a result of global climate change, natural disasters are becoming more frequent and more severe. With a new emphasis on helping vulnerable communities build resilience to disasters, the Global Climate Change Presidential Initiative invests in developing countries to accelerate transitions to climate-resilient, low-emission economic growth, while incentivizing private sector investment to scale impact and sustain progress. For example, we are partnering with the Consumer Goods Forum—which represents about 400 companies and $3 trillion in market value—to reduce tropical deforestation from key commodities, like palm oil and timber.

Drawing on lessons learned during last year's food crisis in the Horn of Africa—as well as decades of experience responding to disasters—USAID is pioneering a fundamental new approach to help communities strengthen their resilience in the face of crises. In Ethiopia, for instance, we're working with international firms like Swiss Re and local businesses to develop index-based livestock insurance—a new product that uses satellite data to protect pastoralists from drought-related losses.

CONCLUSION

When people around the globe cannot feed their families, when young adults find themselves without education or a source of income, and when parents watch their children die of preventable illnesses, the world is inherently less secure. The FY 2014 budget request will continue our work to combat these causes of instability and end extreme poverty.

These investments aren't just from the American people; they're for the American people. By promoting sustainable growth in the developing world, we spur new markets abroad and energize our economy here at home. By driving innovations in agriculture, education, and global health, we strengthen global stability and advance our national security. And by delivering aid in the wake of natural disasters and humanitarian crises, we express the generosity and goodwill that unite us as a people.

Thank you.

BIOGRAPHY

Dr. Rajiv Shah

Administrator

Dr. Rajiv Shah serves as the 16th Administrator of USAID and leads the efforts of more than 9,600 professionals in 80 missions around the world.

Since being sworn in on Dec. 31, 2009, Shah managed the U.S. Government's response to the devastating 2010 earthquake in Port-au-Prince, Haiti; co-chaired the State Department's first review of American diplomacy and development operations; and now spearheads President Barack Obama's landmark Feed the Future food security initiative. He is also leading "USAID Forward," an extensive set of reforms to USAID's business model focusing on seven key areas, including procurement, science & technology, and monitoring & evaluation.

Before becoming USAID's Administrator, Shah served as undersecretary for research, education and economics, and as chief scientist at the U.S. Department of Agriculture. At USDA, he launched the National Institute of Food and Agriculture, which significantly elevated the status and funding of agricultural research.

Prior to joining the Obama administration, Shah served for seven years with the Bill & Melinda Gates Foundation, including as director of agricultural development in the Global Development Program, and as director of strategic opportunities.

Originally from Detroit, Shah earned his medical degree from the University of Pennsylvania Medical School and his master's in health economics from the Wharton School of Business. He attended the London School of Economics and is a graduate of the University of Michigan.

Shah is married to Shivam Mallick Shah and is the father of three children. He lives in Washington, D.C.

Ms. GRANGER. Thank you, Dr. Shah.

This administration is focused on increasing the amount of assistance directly to governments and local organizations. As you know, I have been concerned about this policy since it began. First I want to focus on the policy of limiting competitions to local organizations. How can USAID justify actively excluding U.S. businesses, non-government organizations and universities from competing for U.S. foreign assistance? How many times have U.S. organizations been excluded during the last fiscal year?

Dr. SHAH. Thank you, Chairwoman Granger. As we have discussed in the past, and I appreciate your comment, the reason we prioritize local solutions is in search of lower costs, better results and more sustainability of our efforts. Nearly every one of our peer organizations around the world funds probably 60 to 80 percent of their resources through local organizations.

When I started at USAID, the amount that we provided in that context was 9 percent, and we were routinely critiqued for being seen as not absorbing the lessons, evidence base and practices of the past few decades in how we actually did our work. That said, the aspiration we have set is a modest one and as you point out, is gradual and takes place over the course of 5 fiscal years. In that context, we have released a USAID Forward progress report that showed that we have moved, in the last few years, from 9 to approximately 14 percent through local partners and local solutions. In some cases like in Senegal that allows us to get more kids in school and construct more schools with the same budget, and that ultimately is the goal.

In terms of your specific question with respect to noncompetitive awards to local organizations, the data indicates that this is an extraordinarily small percentage of our total actions. Of 14,000 contract actions, fewer than 0.5 percent were noncompetitive in any context. Of those noncompetitive actions, 24 went to United States partners and 15 went to local ones. When you add up the totals that they receive, the U.S. organizations far, far, exceeded the total going to local because the local investments are relatively small compared to the big American contracts.

Similarly, when you look at our assistance levels, we do about 5,000 assistance awards, grants, through the course of a year. In that context, 2.3 percent of those were noncompetitively awarded, and of those, 84 went to U.S. organizations and 34 went to local ones.

So, in general, and over the larger scheme of things, the vast majority of both our resources and our processes that offer contract and grant awards are not only open to but preferentially go to domestic partners at a far higher rate than any one of our peer organizations anywhere around the world.

Ms. GRANGER. As you know, this subcommittee and all the subcommittees' oversight is extremely important. In fiscal year 2012 the appropriations bill included new requirements on direct assistance and requires that any ministry receiving funds must be assessed and be qualified to manage the money. We know that USAID conducts these risk assessments, but we don't know what comes next. In Afghanistan, for example, more than 50 percent of the assistance is being provided directly to the government. I was

surprised to hear that during a recent hearing before the House Government Reform and Oversight Committee the Special Inspector General for Afghanistan reconstruction testified that administration officials instructed him not to provide assessment of the Afghan ministries to the Congress.

Even if these assessments contain sensitive information, they were paid for with U.S. funds. Will you provide these assessments directly to the subcommittee so that we can review them?

Dr. SHAH. Those assessments are available to the subcommittee, yes.

Ms. GRANGER. They have been provided? Were you aware of that information?

Dr. SHAH. We have two processes in place. I want to go back and speak to the assessments more broadly and then speak to the availability. We have conducted assessments in 33 countries around the world, across a broad range of ministries and organizations. In some cases, we choose not to go forward, in some cases we put in place, as you mentioned in your opening remarks, some very specific risk mitigation activities before we go forward with direct awards.

In Afghanistan, the great majority of our direct assistance to the Afghan Government is actually not technically direct assistance to the Afghan Government. It goes to a fund called the Afghan Reconstruction Trust Fund. That trust fund is run by the World Bank. It is then operated in partnership with the Ministry of Finance, and it has an extraordinary amount of transparency and focus and supports programs that have been seen as very effective, such as the National Solidarity Program, which reaches more than 30,000 communities in that country. That has been the primary vehicle for the great majority of our direct assistance.

Where we do direct assistance in Afghanistan outside of ARTF we take extraordinary precautions. In addition to an assessment, we only provide resources for a very small number of small scale programs like the recent effort to print and distribute textbooks. Even in that context, we only actually provide resources after they have printed, distributed the textbooks, and even then after we have sent an independent monitor to make sure that those textbooks are in schools being used. And then we verify that with the geospatial system that it is tracking our programs and activities.

So that cost reimbursement basis for small scale, direct assistance programs has been very robust to ensure we can track where the resources go and what they do, and the larger scale awards go to the Afghan Reconstruction Trust Fund.

All that said, with respect to the assessments, we have entered into an agreement to make them available with the House Oversight and Government Reform Committee (HOGR) HOGR in this case and I assume this would be something we could do with this committee where the documents have been available, staff are able to come to us and see the unredacted versions. We are also willing to bring them up here to show unredacted versions. In some cases there are very sensitive diplomatic names and other things in the documents and the State Department is handling the interface on availability there, but they are going through a redaction process

on some specific diplomatically sensitive data and I will try to make those documents available.

Ms. GRANGER. I just want you to always remember that it is our responsibility to do oversight, and communication as you are doing these programs is vitally important, and I have seen less of that, significantly less of that.

Let me ask about one other thing. I know you are going to talk about food and PEPFAR in your proposal and so I am going to leave the questions about that to other members. But I have a question that, the reforms on the food aid system have been considered for years, and most recently in negotiations with reauthorization of the Farm Bill. Why did this administration decide this year to change the system and put it through the association process rather than working with the authorizing committees?

Dr. SHAH. Well, the rationale for putting forward this reform proposal now is that as a result of your support over the last several years we have developed experience with the local and regional procurement window of the IDA account, the International Disaster Assistance account. We have seen through that effort that significant efficiencies can be had in how we implement the program. And perhaps even more important, we have seen that in our most critical emergencies, including the famine in Somalia and the current crisis in opposition-controlled parts of Syria, the flexibility to operate differently allows us to reach people in environments that are much more challenging from a security perspective. And as we look at the number of disasters we face that have security threats related to them, they are going up significantly.

In this year because Syria and the region are consuming all of the flexibility that exists through the LRP IDA program we are basically in other countries in a position of having to revert programs from LRP support back to Title II support, and because of the rules and restrictions in how Title II is provided, that actually means the programs get reduced in scale quite significantly and we are in the position of having to remove people from support.

So we felt in a context where everyone across the government is making tough, efficiency-oriented choices and experiencing significant sacrifice that this was an appropriate time to put——

Ms. GRANGER. It is not the time. My question was why you are looking at this and going through the appropriations process and members on appropriations committees instead of the authorizing committee. That was my question.

Dr. SHAH. Well, we are eager to also work with our authorizing committees certainly to put this together. I would note that we have some concerns with the articulation and the rules and restrictions that are being designed around this program in certain authorizing committees in its current form and believe that the current way that is structured would take us backward instead of forward, and I could go into that in detail in perhaps a different setting.

Ms. GRANGER. All right. Mrs. Lowey.

Mrs. LOWEY. Thank you. As you know, Dr. Shah, I have a longstanding commitment to basic education, and I mentioned in my opening statement my dismay that this Administration continues to deprioritize education.

And I thank you, Madam Chair, for your support in this important area.

Last year, we discussed the disappointing fiscal year 2013 request, and yet at $501 million, the fiscal year 2014 request is worse.

We need to be doing more, not less, to offer a quality basic education to the world's children. When we know how to get results and how important basic education is to our success in every other important U.S. priority, why aren't we investing more resources in this sector? How can we succeed in democracy promotion, maternal health or economic growth if children are growing up with no basic literacy and math skills? And if there is demonstrated need and we are having difficulty programming basic education funding bilaterally, why not put more money through channels such as the Global Partnership for Education?

So if you can share the progress on updating USAID's core development principles to include basic education and respond to my other questions, I would be appreciative.

Dr. SHAH. Thank you. Thank you, Congresswoman Lowey. I am personally very grateful for your longstanding leadership on this issue. Your efforts have resulted in the fact that the United States has been and continues to be the world's largest supporter of getting young kids in school in nearly every part of the world. And without that personal effort, we wouldn't be there as a country and I am very grateful for that.

I would note and just reiterate that I believe, as you do, that education is critical, cost effective, and that there is a mountain of evidence to support its relevance to our overall objectives and priorities.

We have this year elevated education as a core development objective for the Agency. As part of a series of events and activities last week we put out a document highlighting that change in status and delineating both the specific results of our current education investments and our aspirations through our strategic goals in that area going forward. They include, as you are aware, improving learning outcomes for a large number of students, improving workforce training, and getting 15 million additional kids in school.

We have tried over the last year to implement new partnerships that expand our capacity of impact in this space. Our All Children Reading Challenge Grant Program reached more than 450 respondents, resulted in 32 awards, more than half of which came from the developing world, and most of which were from partners that don't usually work with USAID.

Our new partnership with the Global Business Coalition on Education is expanding our ability to work with corporate leaders who are committed to this goal. And just last week, we announced Room to Learn, a new initiative that partners with the Education First efforts of former Prime Minister Gordon Brown and the United Nations and brings together our funding in a more leveraged way in a certain set of countries.

That said, with respect to budget, we recognize that the budget is not where we would want it to be, not where you have asked us to consider it. And we know that we face real challenges across the

full extent of this budget and in the context specifically of certain front line states.

That said, the current request was designed prior to the Room to Learn effort, and I believe we will be able to and do intend to do more than is reflected in that request. In fact, the way the request is designed and reflected doesn't include some of our science and technology efforts or other investments that touch on basic education that I believe should count against our overall commitments. But nevertheless, I understand your perspective and don't fully disagree.

Mrs. LOWEY. Well, I know the Chair and I will continue to work with you because this is an important priority.

I wanted to say a few words about Haiti and I know there are others here who might join me. There is great congressional interest in Haiti as well as significant dissatisfaction on the pace of reconstruction. In last week's hearing with the Secretary of State, my friend Ms. Lee noted that only 50 percent of the funds made available for Haiti reconstruction throughout fiscal year 2012 have been disbursed. Despite the high level of attention, it is difficult to see significant progress and we just have to move faster. I appreciate the effort to involve the Haitian Government and follow their lead in the reconstruction efforts.

A couple of questions following up on that. Has the government taken a leadership role in your judgment? There was another string of resignations last week, including the finance minister, and parliamentary elections are long overdue. How are governance changes affecting the development progress?

Education should be central to reconstruction efforts. What progress has been made in setting up communities of learning in Haiti to better integrate learning with other health and development objectives? Do you believe there has been sufficient accountability for the relief and reconstruction funds being used in Haiti?

I understand that USAID hasn't had a Mission Director in Port-au-Prince for over a year. Why not?

If you can answer those questions I would be appreciative. And I just want to say one thing about the communities of learning, because we have talked about this for a long time, and there has been great concern about everyone coming back to Port-au-Prince. This seems to me an incredible opportunity to move people further out from Port-au-Prince, have your school, have job opportunities, have health opportunities, and I would love to know if there is any progress there. I really haven't seen much.

Thank you.

Dr. SHAH. Thank you and thank you for your leadership and advocacy on Haiti overall.

As you know, there has been significant progress but also very real challenges and the recent spate of resignations and some of the comments that those folks made as they moved on only raised concerns about the effectiveness of governance in overseeing this overall process.

That said, we really do believe there has been real progress that is the basis for further development. First, most rubble has been removed, housing has been created and most people are out of a situation of being displaced. Those that are remaining of the 1.7

million displaced, maybe 200,000 by recent estimates, are people who were without housing to begin with and are not going to leave the settlements in the same way that other displaced people did.

Second, in terms of Haitian leadership, the recent resignations are very troublesome. But we also know that if the Haitian Government doesn't take ownership and leadership for this effort it will fail again. It has failed a number of times in the past decade. So we have to do things through Haitian leadership, and we have been very impressed with and partnered very closely with the Prime Minister, who has worked hard to bring both transparency and private investment alongside a real coordination of development investments to this effort and will continue to do that at a major international donor coordination effort in the coming weeks. And as you have pointed out in the past, that itself is very, very critical and important.

With respect to achievements in that context, we know that some sectors have been very successful and others are taking more time. Agriculture has been a very positive story with 14,000 farmers improving their practices, rice yields up 60 percent, bean yields nearly doubling, corn yields more than tripling. That kind of progress is very, very unique in Haiti's recent history and drives economic development for a sector that still accounts for the majority of total Haitian employment. So we think that is very important. The jobs that have been created around the Caracol Industrial Park remain a signature effort where private investment is coming together to create up to 20,000 jobs. And we are seeing in that context new power supply now available on a 24/7 basis. There are linked, planned infrastructure investments for both road and port, and a number of other activities that are forming around that housing and industrial complex, including communities of learning.

So we believe that is important and is on the path to success.

There are significant unspent balances on this account but I really do believe that it is better to do this in a gradual and planned and consistent way than to push all the money out the door and not be able to account for it.

Some of the bigger programs, both in agriculture and on port evaluation and construction, the hospital in Port-au-Prince, those are very significant big ticket items that are just now underway in terms of construction. Some of those are not reconstruction, they are actual novel construction efforts as part of the development strategy. And so the resources are all committed to major projects and strategies, and it is moving forward.

There have of course been delays not least of which because of these types of tremendous turnover in key government counterparts on the Haitian side, but we remain positively inclined to think these efforts are going to work.

I would also highlight that we have had a lot of success in the economic growth area. USAID has expanded access to finance for more than 14,000 microenterprises. We have had four new agreements signed recently unlocking an additional $30 million for small and medium size enterprises, and our mobile money program there, which is a partnership with the Gates Foundation, now has 18,000 clients working on a fully integrated mobile money system.

And finally I will point out that some of the recent challenges we have had, some of the weather events more recently that caused a reduction in the agricultural crops and an expansion of cholera, have been brought back under control. So it is a constant challenge, but we do believe that progress is being made, and I think especially now that some of these bigger infrastructure programs are getting going, that we will be able to expend the resources. The goal is to do it in a way that delivers a lasting differentiation compared to what has been Haiti's experience over the last several decades.

Mrs. LOWEY. I see our time is up but I hope to continue the dialogue. Haiti is such a close neighbor. We don't have the influence of an al Qaeda or another terrorism branch, and it could be an extraordinary case study in how effective we really are in providing that kind of leadership. And I thank you.

Dr. SHAH. Thank you.

Ms. GRANGER. Thank you. We will now proceed with questions in order of seniority and the way members were seated. I don't know when the votes are going to be but we understand the last update was two sets of votes so I would just remind everyone of the 5-minute limit and please stay close to that, including the answer, and if we could possibly get two rounds that will be good. We will call on Mr. Diaz-Balart.

Mr. DIAZ-BALART. Thank you, Madam Chairwoman. Mr. Shah, it is good to see you sir. Dr. Shah, I will tell you we have a lot of hearings and I always look forward to spending the time with you and it is pretty clear that you are passionate about what you do and that is always good to see.

Let me actually throw two questions at you. And one of them deals with, we just had a very interesting meeting dealing with Jordan. And the Syrian conflict has caused more than a million refugees in that part of the world. Many of those are going to Jordan, as you know, a strong ally and clearly the President is aware of it. I know in March he mentioned that fact and pledging to be more helpful.

Anything specifically that we are doing to help the kingdom deal with this frankly quasi-unsustainable issue with refugees? And what can we and what are we doing and what, as a committee, can we do to assist there number one?

That is one question. And let me just throw the other one out there as well.

Going to Israel, with the reports of Prime Minister Fayyad resigning, just what impact will that have? Who are you dealing with? How does it impact your ability to deal with the PA and the folks there?

Those are basically my two questions.

And, Madam Chairwoman, since Mrs. Lowey's able staff gave me a Coke you see I am caffeinated. That is why I did it so quickly. My staff got a little scared when I was given the caffeine. Thank you. I yield back.

Dr. SHAH. Thank you. Thank you, Representative, and I appreciate your partnership and questions.

I will just say with respect to Syria overall, we are providing almost $400 million of direct humanitarian support that is reaching

2.4 million people inside of Syria, about 60, 65 percent in opposition-controlled areas and often through NGOs that take incredible risks to operate in that setting. And more than 150 deaths have been associated with targeted attacks of those humanitarian and mainly medical efforts. So I think that is important to note.

We are also working with international partners to motivate a greater response, most recently through the Kuwait meeting that raised $1.5 billion, and then we work very hard to make sure people live up to those commitments.

With respect to Jordan, we know they have taken nearly half a million refugees, it is 9 percent of their total population. We have provided $300 million of extraordinary support over the last 8 months to support the burdens of that. Of the two areas where I think it has made a huge difference, one is education. They are incorporating 42,000 refugee students into public schools, in communities that are quickly becoming overwhelmed with Syrian refugees. We can all imagine what that would be like in any of our schools here in the United States, and the United States is proud to be supporting and partnering with them. Part of why we can do that is we have had a longstanding and significant education partnership that ranges from teacher training to online courses and other forms of engagement for their students.

Second has been water and water systems and water availability. The water infrastructure that USAID has built over the course of 5 to 7 years has been extraordinarily critical in providing access both at the Zaatari refugee camp, which is the single largest camp where refugees are, and in the nearby communities. Nearly a third of Jordan's water supply is as a result of that USAID partnership. And so we are expanding that through some of these investments and efforts and giving them the capacity to operate at higher levels.

So these longstanding investments in development and partnership do yield real results at times of critical national security crises, and this is a good example of that.

Ms. GRANGER. Mr. Cuellar.

Mr. CUELLAR. Thank you, Madam Chairwoman. Again, Dr. Shah, thank you so much for the work that you do, and I know setting priorities for your agency must be very difficult under these financial times. But I do want to ask your process in setting priorities for Latin America, in particular the Republic of Mexico. As you know, the U.S. Congress is going to be considering an immigration bill. A lot of folks who have come across to my district in south Texas are people from Mexico and other parts of the world. Every year we send back to Mexico 25 to $30 billion due to the drugs that are consumed in the United States. Keep in mind that the U.S. and Mexico have about a 2,000-mile border.

If you look at what is happening in Mexico and the amount of dollars, well, look at the billions of dollars that we set up for border security on the U.S. side. Doesn't it make sense that we spend a little bit more money in assistance, and provide assistance to countries like Mexico because of the reasons I just gave you, number one.

Number two, you are about to do one of the biggest rule of law programs in the world but at the same time your aid to Latin

America has been cut, has been cut. We know what the problem is there, the judiciary, the prosecutorial, the prison systems—in Nuevo Laredo, for example, just recently 150 prisoners escaped probably drug dealers were trying to refurbish their manpower. The joke was why 150? Because that is all the buses they could obtain to carry the people. When a prosecutor wants to get you here in the United States he or she has a 95 percent chance of convicting you. In Mexico if the police get you, the conviction rate is less than 2 percent. Less than 2 percent. And then we know what happens when they end up in prison, a lot of them escape.

So my thing is, doesn't it make common sense that with all of the billions of dollars we have for border security, we are about to do an immigration reform, doesn't it make sense that we put a little bit of money, like the old commercial used to say, invest a little bit of money here it will pay off later or if you don't pay now you are going to be paying much more later? What am I missing here? I just don't understand. And I know what your answer is going to be. But I just want to know what your thought process is on this one.

The new President Nieto is going to, or just did an education reform, major education reform, they did a labor reform, I know they had a little snag under what they are going to do, the banking reform, and telecommunications reform. They are going through a lot of the transformation right now under Enrique Pena Nieto.

Help me understand your thought process. Why not put a little bit of extra assistance that would save us a lot of money on immigration and border security and the 25, $30 billion of profits that we send back to Mexico every year on drugs, help me understand.

Dr. SHAH. Well, Representative Cuellar, thank you for your comments and for your longstanding leadership on this issue. I just want to say that the basic premise of transforming crime and justice in Mexico would without question yield tens of billions of dollars of benefit to the United States virtually immediately. So the basic premise I fully agree with.

The capacity of our government through foreign assistance to achieve that outcome is where I might take some issue. We are presenting a budget with an overall 6 percent reduction across all accounts, cognizant of the times we live in and the budget realities we face.

Despite that, in the region of Latin America overall, we have a 29 percent increase in the Central American regional security initiative which, with strong data to demonstrate, has been effective and working. We have a strong commitment to Haiti, and we are expanding our democratic governance and security initiatives in many countries including Mexico.

The rule of law program I am glad you mentioned because we have seen data which shows where we offer technical assistance and partner with our Mexican colleagues, we see a big increase in the number of prosecutions and the rates and a sharp decrease in delays versus those where we don't.

So that is the defining feature of why we are narrowing and focusing on rule of law and partnerships in criminal justice. We did reduce investment with respect to helping Mexico with its economic competitiveness and higher education which we think are just not

the core priorities relative to this desire to have a strong rule of law and security partnership.

So I appreciate your point and I think we are trying to implement that given the context we are in and given that most of the investment in this comes from the Mexicans and from their own revenue.

Mr. CUELLAR. Thank you.

Ms. GRANGER. Mr. Crenshaw.

Mr. CRENSHAW. Thank you, Madam Chairman. And thank you, Doctor, for being here today and thank you for the vision that you have given to the Agency and the reform minded eye to do things more efficiently, more effectively, and as you found out it is not always that easy. There is always a certain amount of resistance.

But I wanted to ask you, we have touched on your reforms to the Food Aid Program and so I want to give you an opportunity to explain to the subcommittee briefly what those reforms are. As I understand it now we spend about a billion dollars buying U.S. agriculture products and then we spend about $1 billion sending that overseas usually under U.S.-flagged vessels. So describe the reforms that we have been hearing about, particularly in light of how it impacts U.S. agricultural producers and how it is going to impact U.S. shippers.

And while you are at it, I always hear this, Secretary Kerry was here and he said these food aid reforms are going to allow us to serve an additional 2 to 4 million people. I think I have heard you say that as well. I would just be interested in knowing what goes into your calculations to get to that number, I would appreciate it.

Dr. SHAH. Sure. Thank you, Congressman. I appreciate the question and the opportunity to speak to this point that I know you have thought a lot about. This reform is specifically focused on a program called Food for Peace. Food for Peace is currently authorized by the agriculture committees and implemented completely by USAID.

It is about a $1.4 billion a year program. And the 10-year trend on this is that it used to be a program that bought a lot of agricultural commodities and reached a lot of people. It bought 5–1/2 million metric tons of food 10 years ago and reached 88 or so million people. Today it buys and distributes 1.8 million metric tons of food and reaches about 40 some million people. And the reason for that is there has been a more than tripling in shipping costs and some increase in commodity prices. And there has been a whole host of evidence and data that shows different types of more targeted nutrition products, peanut butter, paste and other types of things, are actually more effective of achieving the goal of protecting children and improving nutrition during times of crisis.

So given that, we have put forth a proposal that really does three things. One is it will allow us to have a little more flexibility in the program.

Today about 80—if you add Food for Peace and the local regional procurement component of the existing IDA account, we have about 80 percent of the current effort tied to American commodities that get distributed on American flagged vessels. It would change that to bring it down to 55 percent. At that 55 percent, the majority of the program would still be tied to American product and distribu-

tion, but it gives us a little more flexibility to deal with a world that has changed quite dramatically.

Second, we would establish a Community Development and Resilience Fund to replace the practice of monetization. Monetization is when we take resources, buy food, put it on American flagged ships, send it to a place like we are doing right now to the Democratic Republic of Congo, give it to an NGO partner who sells it in the markets there, and with the money they get they then use it to support an NGO program.

There have been dozens of studies that show this is ineffective—inefficient at best and counterproductive at worst. In some cases like in Haiti it depressed local agricultural prices and therefore created market disincentives for local Haitian production until we changed the policy there a few years ago.

So by replacing that component of the program with this CDRF fund, the Community Development Resilience Fund, we would be able to provide the same kind of cash awards to partners like Catholic Relief Services or Save the Children or World Vision, partners who tend to work with the poorest of the poor on long-term community development projects, many of which are about encouraging agricultural production in those settings.

And then the final component involves a modest but important increase—a $25 million increase to a maritime support program run by the Department of Transportation to support any transitions that our shipping partners may experience. Whereas in the past we might have had a large and diversified group of shipping partners, today we have a very concentrated group of partners and we have designed this support program to help those partners specifically with the transition that is embedded in going from 80 percent to 55 percent.

Finally, because you asked that, I think the impact on agriculture is important to delineate. And whereas a few years ago we might have been a larger percentage of the value of total agricultural exports, today Food for Peace in its entirety is about a half of one percentage point of total value of agricultural exports and going from 80 percent to 55 percent is probably something less than that. So we recognize that it is important to renew and reshape the partnership with American agriculture for the next several decades but this is, we think, a responsible proposal that allows us to be efficient as we execute this mission.

Thank you.

Ms. GRANGER. Ms. Wasserman Schultz.

Ms. WASSERMAN SCHULTZ. Thank you, Madam Chair, and, Dr. Shah, it is good to see you. I want to shift gears a little bit, to the Pink Ribbon-Red Ribbon program, which is the partnership through PEPFAR, that combats cervical and breast cancer, for those who aren't aware, particularly in Latin America and sub-Saharan Africa. The leading cause of death in women in those regions is gynecological cancers, particularly breast and cervical cancers.

What kind of progress have you seen in this program since its inception? And can it serve as a model for combating disease in regions that struggle with high rates of this type of disease?

DR. SHAH—PINK RIBBON-RED RIBBON

Dr. SHAH. Well, thank you. Thank you for asking that question and for your leadership on a lot of these issues. In particular on Pink Ribbon-Red Ribbon I think it is actually a great model program that demonstrates how private philanthropy, public investment and private companies can come together to do extraordinary things in global health.

We have seen these types of partnerships in this sector work in the past, and we believe this one is working as well. In this case, I believe it is President Bush's philanthropic institute coupled with PEPFAR investment plus real resource commitments from countries like Tanzania in which they work. I am not versed on all the details. We can get you more of the details, but I know that in places like Tanzania where I have had a chance to see some of the on-the-ground impacts, it is greatly expanding access to screening, and while it has some challenges it is also expanding access to intervention based on that screening. So I think that is very important.

Global Health has been fortunate to have many of these types of partnerships and I think they make a huge difference ranging from efforts to expand immunization access to efforts to eradicate diseases like polio and Guinea worm.

Ms. WASSERMAN SCHULTZ. I am glad to hear that, and I would really like to follow up with your staff and you to focus in more about the reach of those programs, how we can broaden the reach and then also specifically focus on breast cancer awareness and gynecological cancer awareness in those regions. There are challenges because we obviously have cultural barriers that get in the way and I just don't have a sense of how much awareness, focus, or assistance we have provided. And knowledge is power.

So thank you, I want to also ask you about the Thousand Days campaign, which I think is incredibly exciting, and I know in the speech that you gave at CSIS on April 10th, you emphasized the need for high quality, high nutrition foods, particularly during the first thousand days in pregnancy through age 2, in international food aid.

So with maternal and child nutrition, what impacts, and what are the implications for reform with the Thousand Days campaign, and is that part of the administration's campaign in that regard?

Dr. SHAH. Thank you for asking about Thousand Days. It is a program that was launched by Secretary Clinton that we take forward with pride and commitment because it refocuses interventions on child nutrition based on science and evidence about where and when you target kids, you get the biggest bang for the buck. If you reach pregnant women and children in the first 2 years of life, you can actually reverse stunting, and we know that around the world from Ethiopia, where it is 43 percent, to Guatemala, western Guatemala, where it is in the 60s, there are a lot of children out there who are stunted and adults who are stunted. And whereas that used to be considered problematic where people didn't really understand what that meant, now we know that it actually leads to permanent damage to brain development, permanent im-

pacts on an inability to learn, and permanent reductions in economic productivity of families and——

Ms. WASSERMAN SCHULTZ. Not to be flippant, but it doesn't just create a lot of short people?

Dr. SHAH. Right.

Ms. WASSERMAN SCHULTZ. It is a little deeper than that.

Dr. SHAH. No, in fact, I joke in my home because I come from a long line of Indian descendants, some of whom are very short. It is not humorous because the lack of nutrition really does affect long-term development, and so through the Thousand Days efforts, we have worked with country partners around the world to make this a priority. We have brought together international partners, and our Food Aid Reform proposal would allow us to get more of these high nutrition, ready-to-use therapeutic foods which have been a major outcome of a famous study called the Tufts Study on Nutrition and embed those food products in efforts that target young children and pregnant women as part of our nutrition support efforts.

Ms. GRANGER. Thank you very much. They have called votes. We have three members who have not been heard. If you will be quick, those members can ask their questions and get to vote.

Mr. Yoder.

Mr. YODER. Thank you, Madam Chair. I appreciate your comments today and I want to return to the question and answers you were having with my colleague, Mr. Crenshaw, relating to the U.S. Food Aid changes. We would like to get more information or have your response on the exact impact on American agriculture markets. I know you said it was a half of a percent potentially of exports. How many American jobs does that represent?

I represent the State of Kansas, the number one wheat producer in the country. How many less tons of wheat, or less bushels of wheat would be exported out of Kansas under this procedure versus what would be purchased in foreign countries, and certainly that would need to be explained to constituents and that impact and why that choice was made to pay farmers in other countries as opposed to paying farmers here. This has a real impact on local communities. Regardless of the percentages, there will be an impact on folks who will feel the brunt of that, and so I would like to see background on that.

And then I would like you to flush out a little bit more the question Mr. Crenshaw asked regarding the 2 to 4 million additional people that would be reached each year with the equivalent funding, and I note that at least some information shows that local regional purchase cash transfer programs are not necessarily less expensive than U.S. Food Aid. In fact, in fiscal year 2012, the $375 million IDA Food Program that that relied on those methods, was actually 44 percent more expensive per metric ton than U.S. Food Aid provided for emergencies under Title II, which is where you are transferring some of these dollars. I think that we are going to have to do some work on your part to prove to at least some of us on the committee that the President's proposal is not only not having a negative impact on farmers at home, but it is also actually a better benefit for taxpayers.

So we have got a couple of challenges there that I would like you to respond to.

Dr. SHAH. Thank you. Let me first say on the specific question about how much we buy in Kansas and what the impacts would be, I will just ask my team to be responsive with specific data. I don't actually believe it is a significant component because I think we purchase U.S. wheat in a different place, but we will come back to you with specifics on that.

[The information follows:]

Dr. SHAH: USAID anticipates that U.S. commodities will remain a significant portion of purchases under the new program.

Between April 2011 and April 2013, USAID purchased a total of 980 metro tons (MT) of commodities from a supplier headquartered in Kansas—Cereal Food Processors Inc. The 980 MT of commodities included 810 MT of all-purpose flour and 180 MT of bread flour. Cereal Food Processors is America's largest independent flour milling company and the fourth largest wheat miller in the United States. In operation for more than 40 years, the company's 10 milling facilities now have a daily capacity of about 4,500 MT.

Given the small amount purchased from this supplier, and their large volume produced each year, the proposed reduction in U.S.-purchased commodities through Food Aid Reform should not significantly impact the State of Kansas.

Dr. SHAH. Second, with respect to the 2 to 4 million, I would just say, and I have heard this 44 percent number, and frankly believe it to be inaccurate. There have been 13 independent studies, including conducted by the GAO—and by a number of other independent partners that have demonstrated how much more efficient it is in terms of reaching people. I don't know where the 44 percent comes from. You know, a metric ton of one thing is not a metric ton of another and maybe that is part of it, but the reality is in terms of reaching beneficiaries with the nutrition they need, we have seen study after study that basically validates anywhere from a 30 to 50 percent efficiency gain, and that is consistent with our own experience, implementing a $300 million flexible program alongside a $1.4 billion Title II program.

But my team can produce the data, and sit and go through that with your staff, and we are eager to do that, because I think the preponderance of evidence conducted independently by many, many others has been very consistent on this point. And this is why, every past director of the World Food Program and the current one, almost all of the major NGOs, most experts that have looked at this, nearly all of my predecessors, and major CEOs in the agricultural space, all believe this is the right thing to do for those core efficiency result reasons.

[The information follows:]

Dr. Shah:

Using net efficiency savings and an average cost per beneficiary of $37, a conservative estimate is that 2 to 4 million additional people in need can be reached each year. This estimate uses a higher than average cost per beneficiary to take into account that some responses may be more expensive than others due to complex environmental factors.

Looking first at average cost per metric ton (MT), in FY 2012, local and regional purchases alone averaged $929/MT. This calculation starts with an Emergency Food Security Program total expenditure of $374.5 million. Of that $374.5 million, 44 percent, or $164.8 million, was used for local and regional purchase of commodities. Divided by the total number of commodities purchased locally and regionally (177,346 MT), this results in an average of $929/MT.

Comparatively, Title II purchases averaged $1,188/MT. This figure was calculated by dividing the total value of Title II emergency food aid ($1.17 billion) by the total metric tonnage (985,780 MT). Thus, Title II assistance costs $259, or 20 percent, more per metric ton than local and regional purchase (LRP). For the period of 2010-2012, LRP averaged nearly 30 percent less than Title II costs per ton.

In addition to reducing basic cost per MT, food aid reform creates an estimated $155-$215 million in annual gross efficiency savings—and $105 to $165 million in net efficiency savings—helping more people in need. By shifting funding from Title II to foreign assistance accounts to reduce the cost inefficiencies related to Title II in-kind food aid, the reform will generate the following savings:

- USAID expects to save about $30 million per year by eliminating monetization. Monetization results in an average loss of 25 cents on each dollar of monetized food aid. The proposal maintains the same development program levels at a lower cost.

- Food aid reform is also expected to save $125 to $185 million per year by increasing interventions such as LRP and Cash or Voucher programs. Independent analyses and USAID experience have demonstrated that LRP and other cash-based programs are cheaper, safe and efficient options. Consistent with independent analyses, IDA-funded LRP average costs are 20-30 percent less than Title II since 2010. We estimated the efficiency savings by applying these percentages to the following funding reallocated from Title II: Development Assistance (the non-monetized portion of the $250 million reallocated from Title II); International Disaster Assistance (the $337 million in reallocated Title II funds that have greater flexibility in terms of not purchasing and

shipping U.S. commodities); and Emergency Food Assistance Contingency Fund ($75 million).

- Estimated gross efficiency savings of $155 to $215 million per year are the sum of the savings from funding development programs directly rather than monetizing food aid plus the remaining savings achieved by using more cost-effective interventions than Title II with the portion of the reallocated Title II funding that has greater flexibility in terms of not purchasing and shipping U.S. commodities.

Total Net Efficiency Savings: $105 to $165 million per year. An estimated $50 million of the above annual discretionary savings relates to lower shipping costs. We excluded these shipping savings from the estimate of net funds available to help additional beneficiaries because, under Title II, USAID receives cargo preference reimbursements (20% excess freight calculated on all shipments) that offset much of the high U.S.-flag vessel costs. Therefore, these savings do not necessarily translate into new beneficiaries.

Mr. YODER. Thank you, Administrator. Thank you, Madam Chair.

Ms. GRANGER. Mrs. Lee.

Ms. LEE. Thank you very much. Good to see you. Let me once again ask about the involvement of minority women-owned businesses in USAID vendor contracting efforts and what we are doing to engage minority and women-owned businesses, and if we can have a breakdown based on ethnicity of contractors that you use, you know, how many African-Americans, who they are, how many Asian-Pacific Americans, how many Hispanic, how many Native American contractors and who they are.

Dr. SHAH. Thank you, Congresswoman Lee, and thank you for your commitment to this particular approach. We will come back to you with the very specific information you are asking for.

When I started at USAID we had a low grade for our work with small businesses in particular. In fiscal year 2010 that went to a C, and in fiscal year 2012—it went from a C to an A between 2010 and 2012 based on the small business procurement scorecard of the SBA. In the small disadvantaged minority business category, we have maintained the gains we have made over the last 2 years, each year exceeding our 5 percent goal and achieving, I think, 7.09 percent. In terms of women-owned small businesses we have been relatively constant, just below the 5 percent goal, but you asked for very specific data and I don't have that with me, but I will make sure that your office receives it.

[The information follows:]

Dr. Shah:

The Small Business Act established government-wide small business utilization goals. The Small Business Administration (SBA) negotiates the general small business goal with each federal agency. For fiscal year 2013, SBA established a general small business goal of 11% for the United States Agency for International Development (USAID). The SBA does not negotiate the other goals (Women Owned Small Business, Service Disabled Veteran Owned Small Business, Historically Underutilized Business Zones, and Small Disadvantaged Business). SBA maintains that each federal agency's goals for those categories are set at the government-wide statutory goal. The small business act establishes those goals as:

Women Owned Small Business	5%
Small Disadvantaged Business	5%
Service Disabled Veteran Owned Small Business	3%
Historically Underutilized Business Zones Small Business	3%

USAID Small Business Awards by Ethnicity of Contractors for FY 2012:

African-American	$ 37,455,253.36	19.24%
Hispanic-American	$ 25,893,288.24	13.30%
Woman Owned	$ 77,711,644.74	39.92%
Native-American	$ 53,605,082.55	27.54%
TOTAL	**$ 194,665,268.89**	**100.00%**

USAID FY2012 SMALL BUSINESS ETHNICITIES

ETHNICITY	VENDOR NAME	SUM OF OBLIGATION
AFRICAN AMERICAN	ADMINISTRATIVE SERVICES INCORPORATED	$5,677,809.40
	ALLIANCES FOR QUALITY EDUCATION INCORPORATED	$396,023.66
	AMERICAN CABLING COMPANY	$2,288,829.06
	APMI GROUP, INC	-$1,039.20
	BATTLE RESOURCE MANAGEMENT, INC	$1,450,108.20
	BATTLE RESOURCE MANAGEMENT, INC.	$1,945,743.69
	BIZZELL GROUP LLC, THE	$364,999.00
	BLH TECHNOLOGIES, INC.	$2,492,514.04
	CC&C MANAGEMENT SERVICES, LLC	$596,258.00
	DB CONSULTING GROUP, INC.	$2,605,432.00
	DILIGENT ESECURITY INTERNATIONAL, INC.	$500,000.00
	DKW COMMUNICATIONS INCORPORATED	-$17,574.47
	DKW COMMUNICATIONS, INC.	$686,604.88
	DPW TRAINING & ASSOCIATES, L.L.C.	$4,402,082.46
	GMG MANAGEMENT CONSULTING INC.	$417,406.72
	HAYNES INCORPORATED	$1,942,613.24
	ICOR PARTNERS LIMITED LIABILITY COMPANY	-$46.61
	IMSOLUTIONS LLC	$545,686.00
	INTELLECTUAL CONCEPTS, LLC	$46,760.00
	LANI EKO & COMPANY CPAS PLLC	$1,000,000.00
	LONGEVITY CONSULTING LLC	$256,700.00
	OPTIMAL SOLUTIONS GROUP, L.L.C.	$5,072,438.00
	RAPIER SOLUTIONS, INC.	$329,292.71
	REGIS AND ASSOCIATES PC	$66,207.53
	ROCK CREEK PUBLISHING GROUP	$2,014,519.42
	SUNTIVA, LLC	$595,387.00
	TAI PEDRO AND ASSOCIATES PC	$714,468.00
	TCG CONSULTING, INC.	$477,732.00
	VIA CONSULTING GROUP LLC	$588,298.63
AFRICAN AMERICAN Total		**$37,455,253.36**
HISPANIC AMERICAN	A+ GOVERNMENT SOLUTIONS, INC.	$833,206.79
	ASIS INC	$363,000.00
	ASIS INCORPORATED	-$1,456.59
	CAMRIS INTERNATIONAL INC.	$16,779,152.00
	GO TO GROUP, INC, THE	$7,858.52
	JUST IN TIME SERVICES, INC.	$10,823.24
	LINKS MEDIA L.L.C.	$222,030.00
	LINKS MEDIA LIMITED LIABILITY COMPANY	-$5.40
	MAN-MACHINE SYSTEMS ASSESSMENT (MSA) INCORPORATED	$189,348.00
	NATIONAL CAPITOL CONTRACTING, LLC	$2,000.00
	PILLAR SYSTEMS CORPORATION	$1,611,014.00
	PROTECTION DEVICES, INC.	$31,902.64
	RIVERA CONSULTING GROUP, INC.	$1,375,580.00
	SOCIAL SOLUTIONS INTERNATIONAL, INC.	$4,468,835.04
HISPANIC AMERICAN Total		**$25,893,288.24**
MINORITY WOMAN OWNED	ABACUS-N-BYTES, INC.	$128,000.00
	ADMINISTRATIVE SERVICES INCORPORATED	$5,677,809.40
	ALLIANCES FOR QUALITY EDUCATION INCORPORATED	$396,023.66
	AMERICAN CABLING COMPANY	$2,288,829.06
	APMI GROUP, INC	-$1,039.20

MINORITY WOMAN OWNED	BUSINESS-COMMUNITY SYNERGIES, L.L.C.	$1,600,000.00
	CORPORATE OFFICE SOLUTIONS, LLC	$150,383.73
	DEVELOPMENT & TRAINING SERVICES, INC.	$26,265,254.84
	DPW TRAINING & ASSOCIATES, L.L.C.	$4,402,082.46
	GLOBAL TECH INC.	$3,798,930.08
	GMG MANAGEMENT CONSULTING INC.	$417,406.72
	GO TO GROUP, INC, THE	$7,858.52
	HALFAKER AND ASSOCIATES, LLC	$4,850.00
	INSIGHT SYSTEMS CORPORATION	$10,641,736.00
	INTELLECTUAL CONCEPTS, LLC	$46,760.00
	JUST IN TIME SERVICES, INC.	$10,823.24
	LINKS MEDIA L.L.C.	$222,030.00
	LINKS MEDIA LIMITED LIABILITY COMPANY	-$5.40
	MAN-MACHINE SYSTEMS ASSESSMENT (MSA) INCORPORATED	$189,348.00
	NVE, INC	$6,145,036.34
	PILLAR SYSTEMS CORPORATION	$1,611,014.00
	QED GROUP LIMITED LIABILITY COMPANY THE	-$239,940.33
	QED GROUP, LLC, THE	$7,010,878.91
	ROCK CREEK PUBLISHING GROUP	$2,014,519.42
	SOCIAL SOLUTIONS INTERNATIONAL, INC.	$4,468,835.04
	SSG-ADVISORS LLC	$74,924.30
	TCG CONSULTING, INC.	$477,732.00
	THE DMP GROUP LIMITED LIABILITY COMPANY	-$122,050.55
	VISION COMPUTERS, INC.	$23,614.50
MINORITY WOMAN OWNED Total		**$77,711,644.74**
NATIVE AMERICAN	CAPE FOX FEDERAL INTERGRATORS, LLC	$2,664,724.00
	CLASSIFIED COURIER SERVICES	$264,676.00
	CONCENTRIC METHODS, LLC	$4,467,912.68
	DEVELOPMENT & TRAINING SERVICES, INC.	$26,265,254.84
	INSIGHT SYSTEMS CORPORATION	$10,641,736.00
	METRO MAIL SERVICES, INC	$447,642.77
	MILLENNIUM ENTERPRISE CORPORATION	$362,175.00
	NVE, INC	$6,145,036.34
	USMAX CORPORATION	$2,345,924.92
NATIVE AMERICAN Total		**$53,605,082.55**
		$194,665,268.89

MS. LEE—MINORITY WOMEN-OWNED BUSINESSES IN USAID

Ms. LEE. How did you get to a 5 percent goal because that seems to be pretty low? I mean, we are starting with nothing. I am formerly, and I want to share this, an 8(a) contractor and for 11 years tried to do business with USAID and never could even get through the door.

DR. SHAH—MINORITY WOMEN-OWNED BUSINESSES IN USAID

Dr. SHAH. You know, I would have to have my team put the details together. I do know we have worked hard to be more open to small businesses. We have streamlined processes. We have done a lot of outreach. We do an annual event. I think the event with small businesses is coming up in just a couple of weeks. And that has been an effective venue for expanding the types of organizations we work with. And I know that our score had gone from a low grade to a high grade, according to the Small Business Administration, but beyond that I will have to get you the details.

MS. LEE—GLOBAL FUND

Ms. LEE. Okay, and just very quickly, multiyear commitment to the Global Fund. How important is that to you, and thank you for everything you are doing on HIV and AIDS.

DR. SHAH—GLOBAL FUND

Dr. SHAH. Thank you very much and thank you for your leadership on HIV and AIDS, which is, of course, legendary.

I think this budget, despite the difficult tradeoffs it makes, puts forward $1.65 billion for the Global Fund. It would be a significant commitment to the Global Fund and a basis of an effort to drive significant partnership resources from other countries during this year's replenishment. So that is the basis of a strong multiyear pledge.

Ms. LEE. Thank you.

Ms. GRANGER. Mr. Schiff.

Mr. SCHIFF. Thank you, Madam Chair, and I share my colleague Representative Lee's interest in doing all we can to support your work in HIV and AIDS, so thank you for all of your good work, Dr. Shah.

Two quick questions: One, funding for Nagorno-Karabakh. The history of the last several years is Congress has appropriated funding, USAID hasn't used it, at least not completely. We hear at times there is a lack of capacity, but it seems given the small amount that we are talking about a leap of imagination to think that with the humanitarian needs they couldn't really fully be absorbed. So I would like to get your thoughts on that, and I would like to work with you to make sure that we can utilize all of the assistance that has been provided to help meet the humanitarian needs there.

Second, in the Samtskhe-Javakheti region of Georgia there is a very impoverished Armenian community. We have raised with the Georgian Government and USAID an interest in trying to meet the needs of that population as well as the country more broadly, and over the past year Armenian American groups have been working

closely with USAID to explore a public-private partnership that could help leverage U.S. assistance to Georgia in that region. If you could give us a progress report on those efforts.

Dr. SHAH. Thank you. I will make sure my team provides more details on both of these, but I would say with respect to Nagorno-Karabakh I believe we actually have a plan to fully execute the program. I know in the past we haven't expended all of the funds, but our Assistant Administrator for the region is committed to doing that, and we believe we will be successful at getting that done.

With respect to the public-private partnership with the diaspora community, we are very enthusiastic about that and think that that also is a good model for how we would like to work in the future. The Armenian community has been a very good community to work with, and so we are eager to kind of get that going. I don't have an immediate update on where that is, but I know when we put it together, we were enthusiastic because it had a lot of private sector commitments to leverage our resources from the get-go, which is relatively unique.

[The information follows:]

Dr. SHAH: In FY 2011, the United States obligated and expended $2 million in humanitarian assistance to the people of Nagorno-Karabakh (NK). While we have not yet expended all of the $2 million in FY2012 funds obligated for projects in NK, we are on track to expend the entire amount this calendar year.

With regard to the Samtskhe-Javakheti (SJ) region, USAID looks forward to the opportunity to partner with the diaspora community in that region. USAID is actively seeking to build on the development work it has previously done in SJ, in ways that will benefit the population of that region.

Mr. SCHIFF. Great. Thank you, Dr. Shah. I look forward to working with you on both of those issues.

Dr. SHAH. Thank you.

Ms. GRANGER. Dr. Shah, thank you again for your time. This concludes today's hearing and members may submit any additional questions for the record. The Subcommittee on State, Foreign Operations, and Related Programs stands adjourned.

Questions for the Record Submitted to
USAID Administrator Dr. Rajiv Shah by
Chairwoman Kay Granger
Subcommittee on State, Foreign Operations
And Related Programs
House Appropriations Committee
USAID FY 2014 Budget Hearing
April 24, 2013

Procurement Reform

Question #1: In your response to questions on procurement reform, you noted cost savings achieved on a program with a school in Senegal. This example has been used many times over the last two years. Are there any other examples of cost savings that have been achieved as a result of direct funding to local organizations, while also maintaining program quality and oversight?

Answer:

Although costs savings can be an important additional benefit as part of our *USAID: Forward* reforms of building stronger partnerships with local organizations, I want to emphasize that the primary reason for building local organizations' institutional capacities, including by providing direct funding where prudent and appropriate, is to enhance sustainability of our aid and begin to create the conditions, country by country, under which aid one day may not be necessary.

As you note above, we are beginning to see not only increased capacity but also cost savings in countries other than Senegal.

In USAID/Kenya, our investments in training, organizational development, and capacity building of local organizations, including issue advocacy training, has resulted in increased civil society organization influence over national policy changes on issues such as land, elections, leadership and integrity. As a consequence, over $160,000 was generated for communities to enhance sustainable environmental enterprises in ecotourism, wildlife conservation and ecosystem monitoring, sustainable forestry, and climate change and mitigation strategies for agriculture.

In Liberia, we've shifted 20 percent of our global health spending directly to the Ministry of Health and Social Welfare, training them to deliver services like vaccines and nutrition supplements and ensuring that capacities that are built remain in country. The shift to direct government to government assistance will save us $1 million that we can reinvest in building local capacity. (I'm concerned about using this one as it is just being developed and we have not notified it yet.

We're also placing a much greater emphasis on high-impact public-private partnerships, to unlock private capital. For example, in Uganda, our Development Credit

Authority (DCA) facilitated more than $24 million in lending to micro, small and medium enterprises, leveraging $28 in local capital for every dollar of USAID funding. Recipients saw 86 percent growth in annual sales, and 70 percent of these borrowers received subsequent loans without requiring DCA support.

Question #2: Does USAID plan to make the results of the Public Financial Management Risk Assessment Frameworks public in order to further anti-corruption efforts?

Answer:

As described in the response to the previous question, USAID Forward's Local Solutions reform is designed to strengthen the capacity of countries to further their own development. USAID recognizes that increasing the use of local governments, firms, and non-profits to deliver American assistance carries an element of risk. That is why the Agency has implemented rigorous safeguards, such as the Public Financial Management Risk Assessment Framework (PFMRAF), which is designed to assess whether local government and financial systems are reliable enough for direct implementation of aid.

In Stage One of the PFMRAF process, USAID assesses a potential partner country government's commitment to transparency and accountability in its use of public funds. In addition to utilizing the State Department's report on partner country budget transparency as required by Section 7086 of the FY2011 State, Foreign Operations, and Related Programs Appropriations Act, USAID also relies on its own expert analyses as well as materials, approaches, and studies by such organizations as Transparency International. USAID often consults with local civil society and media as well as part of the assessment process, as third-party sources regarding the partner country government's public financial management, procurement, and audit capabilities, and commitment to fighting corruption, upholding human rights, and overall democratic and accountable governance. The Stage One appraisal provides USAID with a high-level snapshot of fiduciary risks associated with use of the country's public financial management system and helps inform the decision whether USAID should move forward and undertake a more rigorous, formal Stage 2 Risk Assessment.

If the decision is made to proceed with the next step in the PFMRAF process, USAID's Stage Two identifies and proposes measures to mitigate fiduciary risks at the country, sector, or subnational government level. The identification process, usually carried out by an international consulting or auditing firm, or a Regional Inspector General (RIG)-certified local audit firm, includes professional examination of the actual public financial management systems in the ministries, departments or agencies that may be responsible for making and carrying out decisions and actions related to the assistance USAID may provide, including financial and operational practices and controls, procurement and inventory management, and systems. As such, Stage Two is repeated for each project or program under consideration. More narrowly focused than a general audit, this stage includes limited testing at the transaction level and other investigatory techniques such as tightly-focused interviews and documentation reviews to ensure that a comprehensive and detailed examination is completed. Mitigation measures will be the result from this risk identification and investigation process and can include requirements

that government institutions meet specific operational standards prior to receiving fund advances or are subject to close program monitoring for viability and realistic planning. Risk mitigation is not generic; it is tied directly to the risks presented by the public financial management or procurement system under consideration.

Because the PFMRAF process is designed to find weaknesses in partner country government public financial management systems and identify related risks, USAID does not generally make public the assessments conducted under PFMRAF, for several reasons (although USAID does share the results of the overall assessments with responsible partner country government officials, such as cabinet and senior level budget, treasury, audit, and procurement officials, and occasionally with other donors as necessary). For one thing, making the specific weaknesses or risks public could be used by unscrupulous or unlawful actors as a roadmap to make attacks on such systems. In addition, the access provided by potential partner country governments in the generation of the assessments can involve sensitive foreign government information provided under the expectation or commitment of confidentiality, and public dissemination of the assessments could complicate or disrupt diplomatic and operational cooperation with the potential partner government as a result. Finally, some of the information in USAID's PFMRAF reports is personally identifying information, such as the names and identities of non-governmental organizations, media sources, accountability organizations, etc, whom USAID consults as third-party sources, or the names of ministry employees consulted as part of more focused reviews. Making public such information could potentially lead to intimidation, retaliation, or even physical harm.

Question #3: USAID guidance on competition requires a Justification for Exemption to Competition (JEC) for most non-emergency programs. However the guidance provides an exemption to submitting a JEC if competition is limited to local entities. The guidance requires USAID officials to explain in JEC applications why a local competition exemption was not used. Why are competitions limited to local entities exempted from following normal procedures for non-competitive award actions? Is USAID reviewing this policy in light of a new notice on IPR that the Agency Counselor sent in January to Mission Directors?

Answer:

Rather than continue to require a stand-alone, duplicative JEC, USAID is incorporating the requirement for a justification into the Agency planning guidance (Automated Directives Systems Chapter 201, *Planning*) currently under revision. The revised guidance will require a justification and approval that demonstrates and documents the development objectives, sustainability and capacity development to be achieved by limiting competition for assistance awards (grants and cooperative agreements) to local recipients. By doing so, the Agency avoids unnecessary duplication and loss of efficiency in documenting the same information and approval twice (once under revised ADS 201, a second time in a stand-alone JEC).

The Agency Counselor's message in January 2013 was a reminder to Agency missions that the selection of an implementing partner – whether a local government, non-government organization, or U.S. based or international contractor or grantee – should be driven by project design needs, development objectives, sustainability and strengthening of local capacities, rather than Agency management tools like the Topline Indicator, which is an indicator to measure the increase in funding provided, where prudent and appropriate, to local (in-country) partner government entities and also local non-governmental and commercial organizations. As the Counselor's message stressed, "[i]t should be understood that any resulting partnership with local government entities or local organizations is not an end of itself, but the result of strategic planning, project design, identification of a development objective, and a determination which among several modalities – contracts and grants to U.S. or international organization included – is the best fit to achieve the development objective. Missions should not be thinking that IPR is just about giving funds to local entities and hitting a specific [indicator] target. IPR is about building capacity and in turn, sustainable local institutions."

Based on the above, USAID is not planning on reinstituting the requirement for a duplicative, stand-alone JEC, but will continue to emphasize that selection of implementing mechanisms and partners must be driven by development concerns and planning, not hitting a specific target.

Food Aid Reform

Question #4: Please provide the calculations showing that that the food aid reform proposal "replaces P.L. 480 Title II funding with an equivalent amount of flexible discretionary funding." [FY 2014 Budget of the U.S. Government, OMB, p. 52)

Answer:

The President's FY 2014 budget requests $1.8 billion for USAID food assistance; $1.416 billion of which is funding reallocated from P.L. 480 Title II to three other assistance accounts:

- $1.116 billion in additional funding to the International Disaster Assistance (IDA) account (adding to the $300 million already in IDA);
- $250 million to the Community Development and Resilience Fund (CDRF) in the Development Assistance (DA) account (adding to the $80 million already in DA); and
- $75 million to a new Emergency Food Assistance Contingency Fund.

Question #5: How many beneficiaries received food aid under the P.L. 480 emergency program in FY 2012? On average, how long did beneficiaries receive food aid?

Answer:

In FY 2012, 31,834,600 beneficiaries received food aid under the P.L. 480 emergency program. Beneficiaries generally receive assistance for a period of one year however in some complex crises, emergency programs can be extended if protracted relief efforts are needed.

Question #6: The International Disaster Assistance (IDA) Emergency Food Security Program (EFSP) has three components, local-regional procurement, cash transfers and food vouchers. In FY 2012 for each of the categories, how many metric tons of food were provided, how many beneficiaries received food aid and on average, how long did beneficiaries receive food aid?

Answer:

In FY 2012, USAID provided 177,246 metric tons of commodities using local-regional procurement. Cash transfers and food vouchers are not measured by tonnage but represented 42 percent and 14 percent of EFSP IDA funding, respectively.

10.7 million beneficiaries were reached under IDA EFSP. Due to the complexity of emergency settings, USAID does not calculate an average amount of time that beneficiaries received emergency food aid. Emergency programs typically last one year or less. However, in complex crises emergency programs can be extended when protracted relief efforts are needed.

Question #6A: Please provide a list of each program that was conducted by country, the implementing agency, the total cost, total tonnage of food provided, number of people who received food aid, and how long beneficiaries received food aid.

Answer:

See attached chart for program breakdown.

FY 2012
International Disaster Assistance
Program Summary

Country	Emergency	Implementing Agency	Funding level	Program Type	Metric Tons	Beneficiaries
Afghanistan	Drought	Save the Children	$ 5,031,114	Cash Transfers	n/a	30,870
	Drought	CARE	$ 2,226,229	Cash Transfers	n/a	16,800
	Drought	Aga Khan	$ 852,622	Cash Transfers	n/a	44,543
			$ 793,326	Local and Regional Procurement	1,474	
Burma	Conflict	WFP	$ 3,000,000	Local Procurement	3,426	55,000
Cambodia	Cyclone/Flooding	WFP	$ 2,000,000	Local Procurement	2,421	52,380
Chad	Drought	WFP	$ 10,000,000	Regional Procurement	7,279	322,400
	Drought	ACTED	$ 2,767,228	Food Vouchers	n/a	49,500
	Drought	CRS	$ 4,504,047	Food Vouchers	n/a	60,000
DRC	Conflict	WFP	$ 3,000,000	Local and Regional Procurement	2,437	121,509
			$ 2,000,000	Food Vouchers	n/a	
Haiti	Hurricane	CARE	$ 5,910,238	Food Vouchers	n/a	72,000
Kenya	Drought	WFP	$ 15,000,000	Local and Regional Procurement	22,901	1,216,630
			$ 5,000,000	Cash Transfers	n/a	
	Drought	Adeso (Horn Relief)	$ 4,284,469	Cash Transfers	n/a	63,000
	Drought	WFP	$ 10,500,000	Cash Transfers	n/a	763,000
			$ 1,500,000	Local and Regional P	1,941	

FY 2012
International Disaster Assistance
Program Summary

Country	Emergency	Implementing Agency	Funding level	Program Type	Metric Tons	Beneficiaries
Mali	Drought	CRS	$ 2,226,023	Food Vouchers	n/a	52,675
	Drought	CRS	$ 1,838,865	Cash Transfers	n/a	31,789
	Drought	WFP	$ 4,009,782	Regional Procurement	3,457	109,000
			$ 990,218	Cash Transfers	n/a	
Mauritania	Drought	Save the Children	$ 1,081,619	Cash Transfers	n/a	12,000
	Drought	World Vision	$ 2,000,000	Food Vouchers	n/a	24,420
	Drought	World Vision (mod 1)	$ 2,790,626	Food Vouchers	n/a	25,938
	Drought	WFP	$ 3,000,000	Cash Transfers	n/a	43,512
Niger	Drought	UNICEF	$ 2,000,000	Cash Transfers	n/a	79,000
			$ 1,000,000	Local Procurement	221	
	Drought	WFP	$ 2,500,000	Cash Transfers	n/a	195,602
			$ 7,500,000	Local and Regional Procurement	6,396	
	Drought	WFP (mod 1)	$ 20,000,000	Regional Procurement	19,522	1,270,200
	Drought	Mercy Corps	$ 3,997,507	Cash Transfers	n/a	93,063
	Drought	Africare	$ 3,241,242	Local Procurement	2,871	54,376
			$ 757,912	Cash Transfers	n/a	
	Drought	WFP	$ 5,000,000	Cash Transfers	n/a	117,393
	Drought	Samaritans Purse	$ 2,500,041	Local Procurement	1,108	30,600
Pakistan	Flooding	WFP	$ 20,000,000	Local and Regional Procurement	26,607	1,592,340
			$ (1,120,399)	transfer	-1,316	
	Conflict	WFP	$ 2,519,798	Local and Regional Procurement	5,116	25,108
			$ 1,120,399	transfer	1,316	

FY 2012
International Disaster Assistance
Program Summary

Country	Emergency	Implementing Agency	Funding level	Program Type	Metric Tons	Beneficiaries
	Flooding	Save the Children	$ 5,000,000	Food Vouchers	n/a	105,482
Rwanda	Refugees	WFP	$ 3,032,542	Local Procurement	3,283	59,833
		WFP (mod)	$ 1,665,707		1,431	
Senegal	Drought	CRS	$ 592,739	Food Vouchers	n/a	40,000
			$ 1,839,781	Cash Transfers	n/a	
Somalia	Drought/Famine	FAO	$ 19,288,160	Cash Transfers	n/a	378,540
	Drought/Famine	FAO (mod)	$ 30,680,278	Cash Transfers	n/a	
	Drought/Famine	UNICEF (mod)	$ 9,981,238	Cash Transfers	n/a	731,381
	Drought/Famine	ACTED (mod)	$ 2,500,000	Food Vouchers	n/a	36,600
	Drought/Famine	Adeso (Horn Relief)	$ 14,757,669	Cash Transfers	n/a	82,600
	Drought/Famine	DRC	$ 4,795,723	Cash Transfers	n/a	64,100
Sudan	Conflict	Partner 2	$ 1,562,871	Local Procurement	500	24,691
	Conflict	Partner 1	$ 3,651,053	Regional Procurement	2,102	530,538
	Conflict	Partner 1 (mod 1)	$ 2,009,911	Regional Procurement	1,000	
	Conflict	Partner 1 (mod 2)	$ 3,275,389	Regional Procurement	2,000	
South Sudan	Conflict	WFP	$ 30,000,000	Regional Procurement	21,519	897,000

FY 2012
International Disaster Assistance
Program Summary

Country	Emergency	Implementing Agency	Funding level	Program Type	Metric Tons	Beneficiaries
Syria	Conflict	WFP	$ 6,000,000	Local and Regional Procurement	4,911	265,935
	Conflict	WFP (mod 1)	$ 6,000,000	Regional Procurement	5,795	
	Conflict	WFP (mod 2)	$ 6,000,000	Local and Regional Procurement	5,484	
	Conflict	WFP (mod 3)	$ 14,300,000	Local and Regional Procurement	11,700	
Syria Regional	Conflict	WFP	$ 673,750	Regional Procurement	329	70,644
			$ 7,326,250	Vouchers	n/a	
	Conflict	WFP (mod 1)	$ 6,700,000	Vouchers	n/a	
Yemen	Conflict	ADRA	$ 6,379,917	Food Vouchers	n/a	31,290
	Conflict	Mercy Corps	$ 4,787,890	Food Vouchers	n/a	50,400
	Conflict	Save the Children	$ 4,345,094	Food Vouchers	n/a	72,000
Zimbabwe	Drought	WFP	$ 8,000,000	Regional Procurement	10,115	605,700
			$ 2,000,000	Cash Transfers	n/a	
TOTALS			**$ 374,468,867**		**177,346**	**10,671,382**

Question #6B: For cash transfers and food vouchers, how was the amount of food aid received by beneficiaries determined?

Answer:

The amount of food aid received by beneficiaries from cash transfers or food voucher programs is represented by dollar value; the value of the cash transfer or food voucher is determined by USAID's implementing partners based on local market conditions. These programs are not measured by the metric tonnage distributed, but rather by the number of beneficiaries reached. However, post-distribution monitoring of these programs tells us how much of the transfer modality (i.e., cash transfer or food voucher) is spent on food.

Question #7: Is USAID planning to provide most of the IDA food aid funds to the UN World Food Program?

Answer:

Funding provided through the IDA account provides grants for local or regional procurement of food commodities, or for cash transfers or vouchers for the purchase of food. Through an Annual Program Statement (APS), USAID accepts concept papers and subsequent applications on an ongoing basis for global emergencies that meet the criteria as outlined in the APS. Grants are not pre-determined and can be awarded to any eligible non-governmental organizations and/or public international organizations, including the UN World Food Program (WFP). In FY 2012, WFP implemented 56 percent of IDA funded emergency food assistance programs.

Question #8: What are the current transparency and oversight measures for all three components of the IDA food aid program? How do these compare to the current Title II program funded in the Agriculture Appropriations Subcommittee?

Answer:

USAID's Food for Peace Officers in Washington D.C. and the field monitor U.S. Government food assistance programs – both Title II and IDA-funded - across 35-40 countries each year. In FY 2012, 19 countries benefited from IDA funding through the Emergency Food Security Program (ESFP) and 44 countries from Title II programs.

Both Title II and EFSP programs are required to provide final programmatic and financial reports within 90 days of the end of the program. Programmatic reports must include the number of beneficiaries targeted and reached, the cost per beneficiary, and a description of how the program addressed gender-related needs and issues. In addition to the final reporting requirements, most programs provide quarterly performance monitoring reports to USAID.

For programs that use local and/or regional procurement, the partner organization must provide the actual quantity and cost of commodities purchased, by commodity type and origin, compared with USAID's own commodity calculator—calculated at the time of purchase. USAID reporting tables also request detailed information on transport costs,

timeline, and market prices prior to and post tender. USAID requires partners to identify and disaggregate other program costs, such as special bagging or fumigation.

In addition, the organization must comply with recipient country food safety standards or, if nonexistent, the Codex Alimentarius Recommended International Code of Practice; cereals must be tested for aflatoxin; and awardees are required to contract established inspection services prior to shipment and distribution. The partner organization must retain a copy of each certificate for its records and the documents must be provided to USAID upon request.

For ESFP programs with cash transfers and food vouchers, partner organizations must provide planned and actual figures for the number of cash transfers completed and number of vouchers distributed. Partners must also provide a comparison of the number of vouchers distributed versus the number and value of vouchers redeemed by beneficiaries. USAID also collects information on the program timeline and retail prices on staple commodities before, during, and after the cash/voucher distribution. Both programs require post-distribution data collection to determine how beneficiaries used the cash/vouchers.

Question #9: For the development program of food aid, the request notes, "non-governmental organizations that receive Title II development resources would be funded directly, rather than through the proceeds from selling U.S. food abroad (monetization) and, in the case of non-emergency direct feeding programs, food would be sourced locally, or from the United States, as appropriate." One of the ways that Title II food aid procurement costs have been contained is by buying in large quantities through monthly orders. While emergencies may need quick response, for development programs, the commodity types, amounts and delivery schedules are prepared in advance and are provided by the USDA Kansas City Commodity Office to meet the schedule. Since each non-governmental organization will now have to source commodities for its own programs, explain how this improves efficiencies compared to the current system?

Answer:

USAID and its partners will continue to purchase U.S. commodities requested for non-emergency food assistance programs as it does now, through USDA. By continuing to coordinate U.S. commodity purchases and transport with USDA's McGovern-Dole and Food for Progress programs, USAID and USDA will maintain economies of scale.

The reform proposal allows USAID to provide funding needed to implement the development programs using direct funding rather than commodities, doing away with one of the most inefficient aspects of current food aid programs. By eliminating the resale of U.S. food ("monetization") at an average loss of 25 percent on each dollar of monetized food aid, the proposal provides the same program levels at a lower cost.

In FY 2012, USAID spent $128.2 million to procure and ship 230,870 tons of food for monetization and sold it to receive only $96.5 million in proceeds, for a 75

percent cost recovery rate. Thus in FY 2012, the monetization inefficiency resulted in $31.7 million "lost" when one compares the cost of buying the food in the United States to what was received when it was sold abroad, amounting to approximately 800,000 fewer people served who required food assistance.

Additionally, by not requiring USAID to buy and ship only U.S. food, the proposal reduces shipping costs on food aid. In addition to these discretionary savings, the reforms will save an estimated $500 million in mandatory spending over the next decade on Title II-related cargo preference reimbursements related to the higher costs of shipping Title II food aid on U.S. flag vessels. These savings will go towards deficit reduction.

Question #10: The food aid proposal results in a cut from current levels for the Office of Foreign Disaster Assistance. What analysis was done that showed decreased need in disaster assistance funding?

Answer:

The FY 2014 Budget includes a total of $2.045 billion for IDA, including $629 million for non-food emergency assistance implemented through the Office of U.S. Foreign Disaster Assistance. The request level for non-food humanitarian assistance is $35 million higher than the FY 2013 request of $594 million. This increase will allow the United States to maintain a reasonable balance of resources for protracted complex emergencies, disaster risk reduction activities, and response to new and sudden disasters.

Additionally, the President's budget request includes $250 million in the Emergency Refugee and Migration Assistance (ERMA) Account, a $223 million increase from the FY 2012 level of $27 million, to address urgent and unexpected needs in Syria and elsewhere, from which the President can order the funding be transferred to IDA.

The FY 2013 Continuing Resolution provided $767 million in unrequested Overseas Contingency Operations funding in IDA that will be used for one-time extraordinary non-food and food humanitarian disaster responses over the next 18 months.

Question #11: Will the Administration pursue putting the proposed 55 percent floor for U.S. commodity purchase and transport costs in authorizing language?

Answer:

U.S. commodities will continue to play an important role in food assistance programs. In FY 2014, per the President's request, no less than 55 percent of the requested $1.416 billion in funding for emergency food aid in IDA would be used for the purchase, transport, and related costs of U.S. commodities.

Currently, USAID is able to carry out the envisaged programs with its current authorities in the Foreign Assistance Act of 1961. USAID recognizes it will be

important to make these changes lasting and looks forward to working with Congress on how this can best be accomplished.

Question #12: Who would decide the proportion of U.S. commodities purchased for food assistance? Are these purchases of U.S. commodities still subject to cargo preference?

Answer:

In FY 2014, USAID will continue to purchase at least 55 percent of all food aid commodities in the United States. Above the 55 percent floor, USAID will decide the proportion of U.S. commodities purchased for food assistance based on need, appropriateness, and requests by implementing partners.

Purchases of U.S. commodities are still subject to cargo preference requirements under the President's proposal. For any programs that include ocean transportation in their budgets, including commodities purchased in the United States, implementing partners are required to submit information to the USAID Office of Acquisition and Assistance to document compliance with cargo preference.

Foreign Affairs Counter Threat (FACT) training requirement

Question #13: GAO has identified concerns they have with USAID's guidance on FACT training requirements, including an incomplete list of posts that require this training. Do you agree with GAO's concerns? Have you identified what caused the problems? How and when do you intend to correct the guidance?

Answer:

GAO stated in its Management Letter of April 26, 2013 that it is concerned that the "ADS does not reference the FAM section that identifies countries for which FACT Training is required." Consistent with the recommendation in the Management Letter, USAID has amended ADS 458 to include a list of countries for which FACT training is required. ADS 458 also includes a specific reference to 13 FAM 322, which identifies the countries for which FACT Training is required. USAID keeps abreast of cables that may change the countries for which FACT Training is required, and plans to amend the ADS list of FACT-training countries as necessary.

Additionally, in countries for which employees must have FACT Training for assignments or TDYs, the Electronic Country Clearance process acts as a strict gatekeeper to ensure that people who need FACT training have it before they receive country clearance to enter any country identified as requiring the training.

Water, Sanitation, and Hygiene

Question #14: In light of the new USAID Water Strategy, how will State/USAID prioritize Water, Sanitation, and Hygiene programming to the poorest communities and ensure that the Paul Simon Water for the Poor Act is implemented as originally intended by Congress?

Answer:

Under the new Water Strategy, USAID will continue to implement the Paul Simon Water for Poor Act, which calls for the designation of high priority countries, to be made based on need and opportunity. Through the strategy, USAID has identified specific criteria for country selection based on a combination of factors that relate to country needs and opportunity. In assessing country needs, USAID will consider the number of people and the percentage of the population without access to improved sources of safe water and sanitation, as well as the mortality rate and number of deaths of children under five years of age due to diarrhea. In assessing country opportunity, USAID will consider partner government commitment to water, sanitation and hygiene (WASH), the presence of supportive enabling environments, and opportunities for leveraging existing donor and/or private sector investments in the WASH sector. In doing so, USAID anticipates that WASH programming will be directed to countries with greatest need and where impact will be most significant. As a result, USAID's Water Strategy will facilitate a more comprehensive and robust approach toward implementation of the Act.

Global Health

Question #15: The President's request for FY14 includes decreases relative to the enacted FY 12 levels for the Global Health programs that USAID administers to fight tuberculosis as well USAID programs to fight HIV/AIDS.

- For both disease categories, please provide a list of countries in which programs in these categories will be reduced in FY14 compared to FY12 including narrative explaining the reductions.

Answer:

It is important to clarify that the U.S. Government (USG) commitment to reducing the burden of tuberculosis (TB) is unwavering. When taking into consideration the overall FY 2014 funding request for TB – made up primarily of funding from the U.S. Agency for International Development (USAID), and supported by the annual contribution to the Global Fund to Fight AIDS, Tuberculosis and Malaria (Global Fund) – we can continue to leverage and maximize those investments to achieve greater impact. The concern in the global health community appears to center on the structure of the FY 2014 Congressional Budget Request, which identified the USAID FY 2014 budget request that is a reduction over FY 2012 but did not fully capture additional investments made through the Global Fund. The Obama Administration has demonstrated its strong

support for the Global Fund with a request for $1.65 billion in FY 2014, maintaining the same level requested in FY 2013, which is a $350 million increase over FY 2012.

The USG's important role in TB is maintained within the aggregate request, as is our long-standing leadership role. The response to global health problems is a shared responsibility, and USAID is striving to maintain our leadership while strongly encouraging countries that have the ability to do more to increase their commitments.

It is also important to point out that we are on track to achieve the Millennium Development Goal (MDG) of halving TB mortality rates by 2015, and USAID is on track to meet the Global Health Initiative TB goals for reducing TB prevalence and diagnosing and initiating treatment for 57,000 new multidrug-resistant TB (MDR-TB) cases. This outcome is a result of decades of collaboration between the USG, developing countries, and public and private partners. This achievement is notable and will be one of the only health-related MDGs met by 2015.

USAID is working diligently with developing countries to increase the amount of TB funding within their national health budgets. As examples, the Government of South Africa recently committed to increase domestic funding for TB and has committed to fully funding the national scale-up of GeneXpert by investing over $27 million on equipment and consumables. In addition, the Government of India has expressed willingness to increase TB funding by over 40 percent over the next four years to scale-up case detection and management of MDR-TB. The nature of our assistance is evolving, and as these countries increase their resources, USAID resources will direct technical assistance to scaling-up quality interventions and piloting innovative approaches, while building national and local capacity in partnership with the ministries of health.

USAID's leadership in TB has contributed to impressive gains – with worldwide mortality from TB falling 41 percent since 1990. In particular, USAID has been instrumental in making available key innovations, such as GeneXpert, as well as new drug regimens, and enhanced diagnosis and treatment. For example, USAID is funding clinical studies to develop shorter TB drug regimens, and if successful, would reduce the treatment of MDR-TB from 24 months to 9 months, thereby, improving treatment outcomes, and significantly lowering the cost of treatment. Additionally, USAID is introducing the newly approved drug Bedaquailine, supporting the development of a second-line drug market for MDR-TB, and investing in research for new drug development.

The Obama Administration is firmly committed to continuing the success of PEPFAR. The President's FY 2014 budget request includes $6 billion for PEPFAR – the largest effort by any nation to combat a single disease. With FY 2014 resources, PEPFAR will continue to work toward achieving ambitious prevention, care, and treatment goals, while strengthening health systems and emphasizing country ownership, to build a long-term sustainable response to the pandemic and advancing the goal of creating an AIDS-free generation, as outlined in the *PEPFAR Blueprint*.

Overall, the HIV/AIDS budget for FY 2014 has increased by nearly two percent from FY 2012 levels. In addition, the Administration is maintaining its strong commitment to the Global Fund with $1.650 billion for FY 2014. PEPFAR and the Global Fund-financed programs are, to an even greater extent than ever before, complementary and deeply intertwined in countries where both exist. Better program coordination, decreased costs, and greater efficiencies between Global Fund and U.S. investments are helping to increase coverage of essential HIV services and save more lives.

In addition, as part of PEPFAR's Partnership Framework agreements signed with governments, we are beginning to see greater investments in health, particularly among middle-income countries like South Africa. These complementary investments help USG investments go further and promote sustainability in the financing of HIV programs.

The FY 2014 budget request will enable PEPFAR to continue to make progress toward the goal of creating an AIDS-free generation, as it increasingly becomes more effective and efficient with every dollar spent. As these programs are implemented, USAID and the Department of State will continue working to enhance the integration of quality interventions with the broader health and development programs of the U.S. Government, country partners, multilateral organizations, and other donors. The response to global health problems is a shared responsibility that cannot be met by one nation alone.

FY14 Congressional Budget Justification

Question #16: Please provide a detailed list of all notification requirements that USAID considers met by the FY14 congressional budget justification.

Answer:

All of USAID's programs are considered notified by the Congressional Budget Justification (CBJ) except for those programs that are required by statute to be notified separately from the CBJ, such as special notification countries listed in section 7015(f) and direct government to government assistance programs per section 7031(a) of the FY 2012 Department of State, Foreign Operations Appropriations Act (as carried forward by the FY 2013 Continuing Resolution).

Development Credit Authority

Question #17: Of all the guarantees issued by Development Credit Authority (DCA) using FY 2012, and FY 2013 funds to date, what is the estimate of guarantees issued over 50%? Does DCA intend to issue guarantees over 50% in calendar year 2013?

Answer:

To date, USAID has issued one guarantee, using FY 2012 funds, that has crossed the 50% coverage threshold. The project involves a $5 million DCA guarantee, which provides 80% guarantee coverage to projects and enterprises supporting renewable energy and 30% guarantee coverage for all other SMEs in Nigeria.

DCA is currently considering two projects in Africa that may involve over 50% guarantee coverage.

Question #18: With regard to the DCA guarantee for the Pledge Guarantee for Health, have any funds been disbursed or any guarantees been made? Please describe in detail.

Answer:

No disbursements have been made to date under the facility that was signed in May 2013, which was a loan guarantee commitment. Pledge Guarantee for Health is currently in discussions with three banks and hopes to finalize one or more loans under the guarantee by the end of this fiscal year.

Question #19: Does USAID have plans for similar guarantees in calendar year 2013 or 2014? Please explain all similar ideas being considered by DCA.

Answer:

USAID has no plans to issue guarantees similar to the Pledge Guarantee for Health in calendar year 2013 or 2014.

Operating Expenses

Question #20: Please provide the program-funded operational costs by account and percentage for fiscal years 2011 through 2014. By account, please provide a narrative describing in detail the uses of these funds, ie, number of direct hire staff, number of contractors, rent, vehicles, etc.

Answer:

The table below shows program-funded operational costs (PFOCs) by account and percentage for fiscal years (FY) 2011 through 2014. All dollars are in thousands.

Fund Account	FY 2011 PFOCs Actuals	FY 2011 Actuals as % of Program $ Obligated	FY 2012 PFOCs Actuals	FY 2012 Actuals as % of Program $ Obligated	FY 2013 PFOCs Estimate	FY 2013 Estimate as % of Program Estimate	FY 2014 PFOCs Estimate	FY 2014 Estimate as % of Program Estimate
Assistance for Europe, Eurasia and Central Asia	44,761	9.76%	34,191	7.50%				
Development Assistance	186,444	8.78%	161,374	6.13%	171,213	6.30%	170,269	6.00%
Economic Support Fund	106,693	2.35%	129,882	2.49%	119,410	2.30%	101,524	2.00%
Global Health and Child Survival - USAID	100,767	2.25%	75,076	1.61%	73,406	2.80%	66,125	2.50%
International Disaster Assistance	57,999	5.39%	58,936	5.30%	91,473	5.90%	116,565	5.70%
Transition Initiatives	19,974	30.08%	17,878	29.69%	13,457	25.00%	13,824	24.00%
Total	**516,637**	**4.05%**	**477,337**	**3.38%**	**468,961**	**3.84%**	**468,306**	**3.69%**

Note: The FYs 2011 - 2012 percentages reflect program obligations. The FY 2013 percentage reflects the program levels in the Consolidated and Further Continuing Appropriations Act, 2013 (Public Law 113-6). The FY 2014 percentage reflects the program levels in the FY 2014 CBJ.

The table below shows how the Agency used PFOCs in FY 2012, broken out by account and budget object class, or broad spending category. All dollars are in thousands.

BOC	DESCRIPTION	AEECA	DA	ESF	GHP-USAID	IDA	TI	TOTAL
11.1	Personnel compensation, full-time permanent	-	6,905	416	1,407	304	50	9,081
11.3	Personnel compensation, other than full-time permanent	14,783	37,725	35,718	20,089	12,134	8,373	128,822
11.5	Other personnel compensation	576	1,095	2,223	966	60	7	4,927
11.8	Special personal services payments	-	12	7	20	2,773	-	2,812
12.1	Personnel benefits	3,114	7,576	9,785	5,268	3,657	1,964	31,364
13.0	Benefits for former personnel	249	86	43	0	-	0	379
21.0	Travel and transportation of persons	2,839	7,981	4,204	4,178	4,853	1,802	25,857
22.0	Transportation of things	293	1,089	674	837	367	11	3,271
23.1	Rental payments to GSA	-	4,057	1,198	248	1,459	-	6,962
23.2	Rental Payments to Other Non-Federal Sources	1,451	2,427	3,558	2,005	1,258	302	11,002
23.3	Communications, Utilities, and Miscellaneous Charges	397	1,563	1,308	801	382	201	4,652
24.0	Printing and Reproduction	19	100	14	15	0	0	149
25.1	Advisory and assistance services	551	15,754	5,040	2,177	25	151	23,698
25.2	Other Services	429	2,908	11,602	2,081	1,086	232	18,338
25.3	Purchase of goods and services from Government accounts	6,409	9,093	28,186	7,915	2,850	1,153	55,607
25.4	Operation and maintenance of facilities	35	243	126	201	111	4	720
25.6	Medical Care	2	8	61	6	1	-	78
25.7	Operation/maintenance of equipment & storage of goods	420	215	261	87	43	114	1,140
26.0	Supplies and materials	339	805	773	341	175	33	2,465
31.0	Equipment	422	1,087	1,771	1,527	423	157	5,387
32.0	Lands and structures	2	62	24	253	7	0	349
41.0	Grants, subsidies and contributions	1,859	60,583	22,890	24,655	26,968	3,323	140,277
	Grand Total	**34,191**	**161,374**	**129,882**	**75,076**	**58,936**	**17,878**	**477,337**

The total program-funded staff in FY 2012 is shown in the table below. Note that total program-funded staff does not directly correspond to PFOC spending, since staff that directly support host-country institutions and are located outside USG premises are excluded from PFOCs.

Program-funded Staff	September 30, 2012 Actual			
	USDH	Other US	FSN	Total
Total	323	981	2,432	3,736

Source: Semi-annual Worldwide Staffing Pattern Report as of 9/30/12.

Question #21: Please describe USAID's plans for consolidating space, including square footage goals per employee. Please describe in detail and with cost estimates in FY14 and outyears, the plan to implement this space consolidation.

Answer:

In FY 2012, USAID occupied 786,000 square feet of domestic office and warehouse space, all in the Washington, D.C. area. Our primary location is at the Ronald Reagan building (RRB) with over 60% of the total footprint. USAID has established a core scenario for implementing the workplace strategy that will meet the needs of the Agency while maintaining compliance with the Freeze the Footprint policy. The

associated key drivers for this strategy are the expiring, non-renewable lease for 187,000 square feet at SA-44 and the workplace improvements leading to space consolidation.

Future space consolidation efforts will be designed according to the standards implemented in the pilot phase. These standards have resulted in increased utilization, enhanced productivity, and integrated technology features throughout the space. This scenario relies heavily on collocation and consolidation to maximize efficiencies and reduce costs. In addition, USAID is working with GSA to identify swing space within existing lease inventory in order to implement future space consolidation and maximize cost efficiencies. The goal is to reduce both high-cost leasing and total footprint. The swing space will be used to support workplace improvements to include a migration plan for the relocation from 187,000 square feet in SA-44 to a reduced future footprint.

In FY 2012, USAID spent $82 million in occupancy costs for the office and warehouse space in the Washington area in FY 2012. (Partial funding for the 7th floor workplace pilot project was provided in FY 2011, for work to begin in FY 2012). The FY 2012 costs exclude special purpose space at the Washington Learning Center, which has obtained a zoning variance to be used for a specific purpose and cannot be used for office or warehouse space.

The FY 2014 request for $87 million was forecast using escalation factors from OMB Circular A-94 Appendix C for operational costs and 5% escalation factor for rents.

Occupancy costs are associated with rents, building operations, utilities, and security, as well as maintenance, repair and workplace improvements. In the Washington area there is an average of 178 usable square feet per person. Typical government space benchmarks are over 200 square feet per person, per the International Facility Management Association. The total footprint will not increase in FY 2014, due to the outstanding Freeze the Footprint policy and given our successes with the pilot workplace strategy.

Question #22: According to the FY12 Agency Financial Report, USAID lease payments total $333M. Please break out the top 10 most expensive leases and describe the number of employees in that location, other uses, and length of lease.

Answer:

Top 10 Most Expensive Leases, USAID

Rank	Facility	Number of Employees	Length of Lease (years remaining as of June 2013)	Amount
1	USAID Headquarters	3,370	5 years (2 years remain)	$125 million
2	SA-44*	658	5 years (5 years remain)	$52 million
3	2 Potomac Yard	622	10 years (7 years remain)	$25 million
4	Maputo Mission Office	158	9 years (8 years remain)	$19 million
5	Almaty Mission Office	144	7 years (7 years remain)	$16 million
6	HR Training Center	Varies	6 years (6 years remain)	$11 million
7	Tel Aviv Mission Office	154	9 years (4 years remain)	$8 million
8	Hanoi Mission Office	68	9 years (5 years remain)	$6 million
9	Bangkok Mission Office	189	3 years (2 years remain)	$4 million
10	Abuja Mission Office	130	5 years (2 years remain)	$3 million

*Agency Financial Report includes $2 mil for SA-44 Lease Amount, per lease terms at that time; the amount above is per new lease terms as of January 2013.

(See Agency Financial Report FY 2012, p. 105)

American Recovery and Reinvestment Act of 2009

Question #23: Are any funds appropriated under the American Recovery and Reinvestment Act still to be obligated or expended? Please describe in detail.

Answer:

Of the $38 million appropriated to USAID under the American Recovery and Reinvestment Act for the worldwide rollout of the Agency's Global Acquisition and Assistance System, $8,427 remained unobligated as of December 2012 due to the final cost of the project being .02% less than projected. This amount was rescinded in accordance with Section 1306 of the Dodd-Frank Act on January 1, 2013.

Limited Competition for Local Organizations

Question #24: The FY12 Appropriations Act includes a 10% limit on funds that are made available for limited competition for local organizations. Please provide a list of such contracts, including the dollar value of such contract and contractor, awarded in FY12 and FY13 to date.

Answer:

Question 24 refers to Section 7077 of Public Law 112-74, the Consolidated Appropriations Act, 2012 (P.L. 112-74), titled "Local Competition Authority," which provides authorization to award contracts to local organizations through limited competition. USAID only awarded one contract through Section 7077 authority:

Vendor Information:
Bureau/Mission: Malawi
Award Number: AID-612-C-12-00001
Contractor: CTP Printers Capetown
Award date: September 19, 2012
Value: $451,750
Procurement Type: Contract
Award Justification: Local Competition Authority Pilot Program for Limiting Competition to Local Entities (Section 7077)

Question #25: Please provide a list of all assistance and cooperative agreements awarded as a result of limited competition where US firms and organizations were excluded in the competition. Please provide in addition to the list, the dollar value of the award, the country, and the organization.

Answer:

Please see attached lists of all limited competition awards for FY12.

USAID FY12 Limited Competition Assistance Awards

Summary of Limited Competition Assistance Awards

	$ Value	%	# of Awards
Local:	$73,000,000	17.80%	34
US-based	$337,000,000	82.20%	84
Total:	**$410,000,000**		**118**

Recipient/Mission	Award No.	Action	Contractor	Award Date	Value	Procurement Type
Armenia	AID-111-A-12-00003	New award	Microsoft Innovation Center Armenia Foundation	4-Sep-12	$470,800.00	Cooperative Agreement
BOLIVIA	AID-511-A-12-00001	New Award	PROSALUD	12-Dec-11	$2,600,000.00	Cooperative Agreement
Bangladesh	AID-388-A-12-00003	New Award	Social Marketting	26-Jul-12	$15,000,000.00	Cooperative
Bangladesh	AID-388-F-12-00001	New Award	James P. Grant School of Public Health - BRAC University	3-Jul-12	$3,000,000.00	Grant (FOG)
ECUADOR	AID-518-A-12-00005	New Award	Corporacion Participacion Ciudadana	13-Sep-12	$550,000.00	Cooperative Agreement
Global Health (Washington)	AID-OAA-G-12-00029	New Award	The Carter Center, Inc.	30-Sep-12	$9,000,000.00	Cooperative Agreement
Indonesia	AID-497-A-12-00010	New Award	World Wide Fund for Nature (WWF) -Indonesia	21-Mar-12	$1,515,000.00	Cooperative Agreement
Indonesia	AID-497-A-12-00013	New Award	Yayasan Pengantar Partisipasi, Institut dan Komunitas (YAPPIKA)	30-Apr-12	$1,100,000.00	Cooperative Agreement
Indonesia	AID-497-A-12-00011	New Award	Jawa Pos Institute of Pro-Otonomi (JPIP)	3-Apr-12	$1,352,503.00	Cooperative Agreement
Lebanon	AID-268-A-12-00004	New Award	Rene Moawad Foundation (RMF) in Lebanon	30-Sep-12	$1,750,000	Cooperative Agreement
Lebanon	AID-268-A-12-00005	New Award	Carital Lebanon	30-Sep-12	$1,750,000	Cooperative Agreement
Lebanon	AID-268-A-12-00006	New Award	Hariri Foundation in Lebanon	30-Sep-12	$1,750,000	Cooperative Agreement
Nigeria	AID-620-A-00-05-00096	New Award	International Centre for Energy, Environment and Development (ICEED)	10-Apr-12	$800,000.00	Cooperative Agreement
Nigeria	AID-620-A-00-10-00007	Modification	Consortium for Elections and Political Process Strengthening (CEPPS)	31-Oct-11	$6,526,035.00	Cooperative Agreement
Nigeria	AID-62-A-00-10-00007	Modification	Consortium for Elections and Political Process Strengthening (CEPPS)	30-Mar-12	$6,768,937.73	Cooperative Agreement
Nigeria	AID-62-A-00-05-00096	Modification	PACT, Inc.	27-Jun-12	$1,000,000.00	Cooperative Agreement
Nigeria	AID-620-A-12-00003	New Award	Interfaith Mediation Centre (IMC)	28-Sep-12	$2,247,579.00	Cooperative Agreement
Peru	AID-527-A-12-00003	New Award	Adventist Development and Relief Agency (ADRA)	4-May-12	$300,000.00	Cooperative Agreement
Philippines	AID-492-A-12-00014	New Award	Phil. Business for Social Progress (PBSP)	26-Sep-12	$10,000,000.00	Cooperative Agreement
Philippines	AID-492-A-12-00009	New Award	Integrated Midwives Association of the Phils. Inc. (IMAP)	28-Sep-12	$1,499,864.00	Cooperative Agreement
Rwanda	AID-696-A-12-00003	New Award	CARITAS Rwanda	12-Sep-12	$1,200,000.00	Cooperative Agreement
Rwanda	AID-696-A-12-00004	New Award	FXB Rwanda	12-Sep-12	$500,000.00	Cooperative Agreement
Rwanda	AID-696-A-12-00005	New Award	AFE Rwanda	12-Sep-12	$500,000.00	Cooperative Agreement
Rwanda	AID-696-A-12-00001	New Award	Texas A&M	26-Jun-12	$789,000.00	Cooperative Agreement
Rwanda	AID-696-A-00-07-00113	Modification	Elizabeth Glaser Pediatric AIDS Foundation (EGPAF)	28-Feb-12	$2,997,954.00	Cooperative Agreement
Rwanda	AID-696-A-00-07-00111	Modification	FHI360	23-Mar-12	$2,097,431.00	Cooperative Agreement
Rwanda	AID-696-A-00-07-00112	Modification	IntraHealth	5-Jan-00	$1,972,990.00	Cooperative Agreement
Senegal	AID-685-A-12-00002	New Award	Ademas	1-Mar-12	$11,000,000.00	Cooperative Agreement
UGANDA	AID-617-A-12-00004	New Award	RECO Industries Ltd	7-Aug-12	$4,236,750.00	Cooperative Agreement
UGANDA	AID-617-G-12-00002	New Award	Handicap International	15-Jun-12	$300,000.00	Grant
Pakistan	AID-391-A-12-00006	New Award	Rural Support Programme Network	28-Sep-12	$1,399,962.00	Cooperative Agreement
AME/Indonesia	AID-497-G-12-00002	New Award	Mercy Corps	8-Aug-12	$100,000.00	Grant
Philippines	AID-492-G-12-00008	New award	Catholic Relief Services/ Philippines	10-Aug-12	$100,000.00	Grant
Sri Lanka	AID-383-G-12-00003	New Award	Danish Refugee Council (DRC)	28-Sep-12	$300,000.00	Grant
Tanzania	621-A-00-10-00023-00	Modification	PACT, Inc.	12-Sep-12	$5,200,000.00	Cooperative Agreement
West Africa	AID-624-A-12-00002	New Award	Geneva Global	1-Oct-11	$4,000,000.00	Cooperative Agreement
Afghanistan	306-A-00-09-00322	Modification	Democracy International (DI)	24-Jun-12	$9,117,356.00	CA
Afghanistan-ANE	306-A-00-10-00512-00	Modification	IRIP	2-Feb-12	$40,320,139.00	CA
Afghanistan-ANE	306-A-00-10-00516-00	Modification	WOS	28-Aug-12	$16,000,000.00	CA
BFS	AID-EPP-A-00-05-00016	Modification	University of Nebraska	9-May-12	$15,300,000	Cooperative Agreement
Bosnia and Herzegovina	AID-168-A-11-00002	Modification	Youthbuild International	14-Aug-12	$274,430.00	Cooperative Agreement
Bosnia and Herzegovina	168-A-00-10-00109-00	Modification	Catholic Relief Services	25-Apr-12	$400,000.00	Cooperative Agreement
Bosnia and Herzegovina	168-A-00-08-00104-00	Modification	Centers for Civic Initiative	16-Feb-12	$350,000.00	Cooperative Agreement
Bosnia and Herzegovina	168-A-00-09-00101-00	Modification	The Research Foundation of State University of New York	16-Feb-12	$1,263,985.00	Cooperative Agreement
Indonesia	AID-497-A-00-10-00019-03	Modification	Helen Keller International	13-Dec-11	$924,190.00	Cooperative Agreement
Indonesia	AID-497-A-10-00003-03	Modification	Research Triangle Institute	15-Mar-12	$4,400,000.00	Cooperative Agreement
Liberia	669-A-00-10-00074-04	Modification	International Research & Exchange Board (IREX)	2-Apr-12	$163,623.00	Cooperative Agreement
Liberia	669-A-00-09-00147-06	Modification	International Foundation for Election Systems (IFES)	16-Jul-12	$299,373.00	Cooperative Agreement
MOPOGH Town 2 (PRH, OHA, PDMS)	GHS-A-00-04-00014	Modification	Medicines for Malaria Venture	7-Sep-12	$4,000,000.00	Cooperative Agreement
Nigeria	AID-620-A-11-00001	New Award	Society for Family Health (SFH)	10-May-12	$1,399,979.00	Cooperative Agreement

Pakistan	AID-391-A-12-00001	New Award	Agribusiness Support Fund	10-Nov-11	$89,412,942.00	Cooperative Agreement
Pakistan	AID-391-A-12-00002	New Award	Agha Khan Foundation	12-Mar-12	$19,753,136.00	Cooperative Agreement
Pakistan	AID-391-A-12-00005	New Award	Teachers Resource Centre (TRC)	26-Apr-12	$10,000,000.00	Cooperative Agreement
Russia	AID-118-A-12-00009	Award	IUE (The Institute for Urban Economics)	1-Jul-12	$500,489.00	Cooperative Agreement
Russia	AID-118-A-12-00011	Award	CFP (Center for Fiscal Policy)	1-Aug-12	$565,000.00	Cooperative Agreement
Russia	AID-118-A-12-00008	Award	ASI (Agency for Social Information)	1-May-12	$500,000.00	Cooperative Agreement
Russia	AID-118-A-12-00013	Award	SCSIC (Siberian Civic Initiatives Support Center)	1-Aug-12	$500,000.00	Cooperative Agreement
Russia	118-A-00-04-00047	Modification	CSLR (The Center for Social and Labor Rights)	31-Jul-12	$703,110.00	Cooperative Agreement
Russia	118-A-00-09-00083	Modification	MSI (Management Systems International)	11-Sep-12	$551,160.00	Cooperative Agreement
Russia	118-A-00-03-00085	Modification	Perspektiva (Regional Society of Disabled People)	29-Sep-12	$749,269.00	Cooperative Agreement
Russia	118-A-00-09-00076	Modification	IRI (International Republican Institute)	14-Sep-12	$649,506.00	Cooperative Agreement
Russia	118-A-00-09-00078	Modification	NDI (National Democratic Institute)	27-Sep-12	$584,000.00	Cooperative Agreement
Russia	118-A-00-06-00074	Modification	ICNL (International Center for Not-For-Profit Law)	28-Sep-12	$416,070.00	Cooperative Agreement
Russia	118-A-00-10-00046	Modification	MSPS (Moscow School of Political Studies)	25-Sep-12	$150,000.00	Cooperative Agreement
South Sudan	AID-668-A-12-00002	New Award	NRECA	8-Aug-12	$2,194,000.00	Cooperative Agreement
South Sudan	AID-HEM-A-00-05-00105-00	Modification	Educational Development Center	11-Jun-12	$1,949,941.00	Cooperative Agreement
Uganda	AID-617-A-12-00003	Modification	National Democratic Institute	5-Sep-12	$394,000.00	Cooperative Agreement
West Africa	AID-624-A-00-10-00047-00	Modification	NBA CLUSA	28-Sep-12	$3,000,000.00	Cooperative Agreement
West Bank and Gaza	AID-294-F-12-00001	New Award	Holy Family Hospital	19-Jun-12	$262,000.00	Grant
Afghanistan	306-A-00-09-00531	Modification	The Asia Foundation (TAF)	28-Oct-11	$30,500,000.00	Cooperative Agreement
Afghanistan	306-A-00-10-00533	Modification	Internews Network.	24-May-12	$9,898,350.00	Cooperative Agreement
Albania	182-A-00-09-00101	Modification	Int'l Virtual e-Hospital Foundation	10-Nov-11	$250,000.00	Cooperative Agreement
Bogota	514-A-00-08-00111	Modification	Mercy Corps	18-May-12	$112,975.00	Cooperative Agreement
Bosnia and Herzegovina	AID-168-A-12-00001	New Award	Association of Election Officials in BiH	14-Mar-12	$299,644.00	Cooperative Agreement
Cambodia	AID-442-A-12-00002	New Award	Open Institute	26-Sep-12	$525,000.00	Cooperative Agreement
Dominican Republic	AID-517-A-12-00006	New Award	FINRUS	21-Sep-12	$750,000.00	Cooperative Agreement
Dominican Republic	AID-517-A-12-00001	New Award	CDCT	2-Jan-12	$2,400,000.00	Cooperative Agreement
Dominican Republic	AID-517-A-12-00007	New Award	PARTICIPACION CIUDADANA	14-Sep-12	$1,350,000.00	Cooperative Agreement
Ethiopia	663-A-00-02-00365-00	Modification	Catholic Relief Services (CRS)	27-Jan-12	$1,233,305.00	Cooperative Agreement
Georgia	AID-114-A-12-00003	New Award	HALO Trust USA, Inc.	30-Sep-12	$350,000.00	Cooperative Agreement
Ghana	AID-641-A-12-00002	New Award	Center for Democratic Development - Ghana	15-Feb-12	$1,199,415.00	Cooperative Agreement
Guyana	AID-538-A-12-00005	New Awards	CARIBBEAN EXAMINATIONS COUNCIL (CXC)	26-Sep-12	$4,215,714.00	Cooperative Agreement
Indonesia	AID-497-A-12-00017	New Award	National Cooperative Business Association (NCBA)	30-Aug-12	$663,149.00	Cooperative Agreement
Indonesia	AID-497-G-12-00005	New Award	International Foundation for Electoral Systems, (IFES)	24-Sep-12	$150,000.00	Grant
Indonesia	AID-497-A-00-10-00013-05	Modification	Georgia State University Research Foundation, Inc	21-Aug-12	$400,000.00	Cooperative Agreement
Jamaica	AID-532-A-12-00002	New Award	NATIONAL INTEGRITY ACTION LIMITED (NIAL)	8-Jun-12	$2,900,000.00	Cooperative Agreement
Jordan	AID-278-A-12-00001	New Award	CHF international	13-Oct-11	$2,019,750.00	Cooperative Agreement
Kosovo	167-A-00-09-00105-00	Modification	CHF	18-Jun-12	$400,000.00	Cooperative Agreement
Kosovo	AID-167-G-12-00001	New Award	American University in Kosovo	18-Jun-12	$200,000.00	Grant
LACSA	AID-DOT-A-00-03-00003	Modification	International Republican Institute	19-Jun-12	$1,000,000.00	Cooperative Agreement
LACSA	AID-DOT-A-00-08-00048	Modification	National Democratic Institute	29-Dec-11	$2,550,000.00	Cooperative Agreement
LACSA	AID-OAA-A-12-00009	New Award	Freedom House Inc	23-Jan-12	$2,900,000.00	Cooperative Agreement
Liberia	669-G-12-00001	New Award	Peace Dividend Trust (PDT)	5-Mar-12	$1,063,062.00	Grant
Lebanon	AID-268-A-12-00001	New Award	Lebanon Mountain Trail	28-Sep-12	$179,643.00	Cooperative Agreement
Macedonia	AID-165-A-11-00003	New Award	Citizens Development Foundation	1-Jan-12	$300,000.00	Cooperative Agreement
Montenegro	AID-170-G-11-00001	Modification	ORT America	20-Jul-12	$600,000	Grant
Mozambique	656-A-00-10-00113-08	Modification	Family Health International	27-Sep-12	$245,071.00	Cooperative Agreement
Mozambique	656-A-00-11-00047-00	Modification	TEBA	25-Jul-12	$697,836.00	Cooperative Agreement
Mozambique	AID-656-F-12-00001	New Award	Fundacao Manhica	1-Sep-12	$100,000.00	Grant
Mozambique	656-A-00-10-00113-07	Modification	Family Health International	9-Sep-12	$183,333.00	Cooperative Agreement
Mozambique	656-A-00-10-00206-00	Modification	JHU	18-Sep-12	$700,000.00	Cooperative Agreement
Mozambique	656-A-00-11-00021-00	Modification	Abt Assoc.	19-Sep-12	$550,000.00	Cooperative Agreement
Paraguay	AID-526-F-12-00001	New Award	CIRD	30-Apr-12	$450,000.00	Grant
Peru	AID-527-A-12-00004	New Award	Asociacion Civil Transparencia	8-Jun-12	$450,000.00	Cooperative Agreement
Peru	AID-527-A-12-00005	New Award	Centro de Estudios y Promocion Comunal del Oriente (CEPCO)	21-Jun-12	$299,999.00	Cooperative Agreement
Russia	118-A-00-11-00001	Modification	MHRC (Memorial Human Rights Center)	22-Dec-11	$250,000.00	Cooperative Agreement
Russia	118-A-00-10-00028	Modification	MHG (Moscow Helsinki Group)	27-Apr-12	$500,000.00	Cooperative Agreement
Senegal	AID-685-G-12-00001	New Award	ONG 2D	10-Jan-12	$1,150,000.00	Grant
Senegal	AID-685-A-12-00006	New Award	IFES, Inc	13-Jul-12	$500,000.00	Cooperative Agreement
Tanzania	621-A-00-08-00005	Modification	John Hopkins Bloomberg	19-Sep-12	$2,500,000.00	Cooperative Agreement
Tanzania	621-A-00-08-00006-00	Modification	Engender health	2-Dec-11	$4,999,548.00	Cooperative Agreement
Tanzania	621-A-00-08-00010-00	Modification	Maasai Women Development Organization (MWEDO)	16-Apr-12	$249,999.00	Cooperative Agreement
Tanzania	621-A-00-08-00013-00	Modification	Asian Foundations	8-Dec-11	$350,000.00	Cooperative Agreement
Tanzania	AID-621-A-00-09-00002	Modification	IntraHealth International	7-Apr-12	$5,500,000.00	Cooperative Agreement
Tanzania	AID-621-A-00-09-00007	Modification	Tanzania Red Cross Society	18-Nov-11	$649,880.00	Cooperative Agreement
Tanzania	AID-621-A-00-09-00007	Modification	Tanzania Red Cross Society	18-Jun-12	$1,400,000.00	Cooperative Agreement

Tanzania	621-A-00-10-00004-00	Modification	WILDAF	9-May-12	$477,000.00	Cooperative Agreement
Uganda	AID-617-G-12-00001	New Award	Joint Medical Store (JMS)	30-Mar-12	$1,500,000.00	Grant
West Africa	AID-624-A-11-00002	New Award	Search For Common Ground	11-Oct-11	$1,130,593.00	Cooperative Agreement
West Bank and Gaza	AID-294-A-12-00007	New Award	Bard College	10-May-12	$4,257,013.00	Cooperative Agreement
Zambia	611-F-12-00001	New Award	Jesuit Centre for Theological Reflection (JCTR)	27-Jun-12	$145,345.00	Grant

Evaluations

According to the USAID Forward progress report, USAID began independent evaluations of its projects and completed 186 evaluations.

Question #26: Please summarize what these evaluations have revealed, specifically the programs that have worked versus those that have not.

Answer:
The Agency is working to synthesize lessons from the USAID Forward evaluations, particularly looking at them in the context of existing best practice and lessons within a sector. USAID's technical bureaus are currently examining the evaluations. When these analyses become available, we would be happy to share what is learned. We should note that these evaluations were not designed to be synthesized; they were created for specific purposes by each mission or office.

Question #27: How have these evaluations changed the way USAID manages its programs?

Answer:
The evidence learned from evaluations completed under the USAID Forward Reform agenda has bolstered active management of USAID programs and projects. Fifty percent of the USAID Forward Evaluations reported mid-course corrections to improve program and project effectiveness. One example: Two HIV Prevention projects in Angola were evaluated simultaneously and both were found to have performance issues. As a result of the evaluation recommendations one project was cancelled and replaced with a new project; the other project successfully underwent remediation and is now performing better.

Question #28: Have any funds been redirected or reprogrammed as a result? Please be specific.

Answer:
According to USAID Forward reporting, one-third of the evaluations resulted in budget decisions to improve effectiveness, in some cases redirecting funds and in others bolstering a program's resources. Some examples include:

- In Ethiopia, based on the evaluation recommendations of the Pastoral Livelihoods Initiative Phase II (PLI II), an additional $380,000 was allocated to increase the level of training and implementation of the Early Warning System component of PLI II. Additionally a Technical Coordination Unit was created to improve the coordination under PLI II's follow-on, Pastoralist Areas Resilience Improvement Market Expansion (PRIME). This coordination unit houses all technical advisors under one office unlike the technical working group in PLI II which the evaluation determined to be scattered and inefficient.

- The evaluation for USAID's early grade reading program in Haiti identified a need to strengthen key local government processes. This has led to a new activity to develop standard operating procedures for municipalities.

USAID Financial Management

Question #29: The FY2012 Agency Financial Report states the following:

> *During a review of the accounting adjustments posted into the Agency's General Ledger, it was subsequently discovered that the adjustments were partially incorrect because the accounting journals were not updating correctly for a certain type of advance refund returned to the Agency. Although the analysis is not complete, it appears the Agency has understated its cash position, overstated both proprietary and budgetary advances (prepayments) outstanding, and understated unliquidated obligations.*
>
> *The Agency intends to make the necessary corrections during FY 2013. The correction will involve reclassifying assets, increasing the Agency's cash position and reducing the outstanding prepayments. In addition, the Agency will change the status for some obligations from prepaid to unpaid. The Agency is currently unable to provide an exact amount of the reclassification adjustment but the Agency believes the adjustment will not exceed $150 million.*

Please provide a full explanation.

Answer:

In FY 2012, the USAID Management Bureau, Office of the Chief Financial Officer (M/CFO) performed reconciliations of USAID's financial records to ensure they were complete and accurate. As a result, the M/CFO identified a potential material error in the USAID general ledger advance balances and posted an adjustment to correct that error in August 2012.

Between the fiscal year-end and before the statements issuance date of November 16, 2012, M/CFO continued its analysis. Shortly before the financial statements were issued, M/CFO determined that the advance adjustment was incorrect and required further analysis; this was disclosed to the OIG and in Footnote 20 of USAID's FY 2012 Financial Statements.

During FY 2013, the M/CFO office initiated a comprehensive and detailed review of the actions related to this issue. M/CFO has corrected the underlying process and re-performed the advance reconciliation. In June 2013, USAID calculated restated amounts for the FY 2012 ending balances on the FY 2013 comparative statements. USAID has maintained constant communication with OIG staff throughout the year to provide information on our approach and the progress being made to address the finding.

USAID is working to further improve and develop a more comprehensive reconciliation process to improve the consistency between the Budget Execution and the general ledger (GL) portions of its accounting system. This advances our recent progress to improve procedures related to reconciling the GL cash balance with Treasury cash balances. In FY 2011, we improved our cash reconciliation procedures for charges made against our appropriations at Treasury by third-parties on our behalf. In FY2012, we implemented a new tool, the Cash Reconciliation Tool (CART) that allows USAID's Central Accounting Division to monitor the outstanding cash reconciliation items of the almost 100 worldwide USAID paying stations, each of which reconciles its own portion of USAID's cash transactions at Treasury. In addition, we have moved to the new Treasury system that enables more efficient accounting for Inter-agency Payments and Collection transactions and will soon do the same for collections.

Nagorno-Karabakh

Question #30: Please provide a detailed description of the programs provided for the victims of the Nagorno-Karabakh conflict, including those that have been implemented to date and the future plans of USAID. The description should specifically include:

a. The estimated timeline for completing such programs;
b. The oversight mechanisms USAID uses to ensure that the contractors implementing the projects are using the funds as directed;
c. The guidelines and restrictions that apply to such programs, including any U.S. policies on engagement, USAID guidelines, and principles of international humanitarian law.
d. An assessment of whether USAID provides assistance to all victims of the conflict, both those living inside Nagorno-Karabakh and those displaced by the conflict.

Answer:

Since 1998, the United States has provided over $40 million in humanitarian assistance to victims of the Nagorno-Karabakh conflict, including food, shelter, emergency and medical supplies, access to quality healthcare and water, and demining. During FY 2012, the United States provided $2 million in humanitarian assistance to the people of Nagorno-Karabakh, roughly split between humanitarian demining and potable water projects. The demining activity, implemented by HALO Trust since 2001, focuses on clearing mines and returning lands to rural population for agricultural use. USAID implemented two potable water activities to expand access to clean water in the city of Stepanakert. The first water project ended in 2011. The second water project ended in 2012, though the contractor is addressing final construction issues which should be completed by September 2013. Currently, USAID is funding a project to provide access to safe drinking water through rehabilitation of water systems in the seven most vulnerable communities of Martuni region. This program is scheduled to end in November 2013. The current demining project is scheduled to end in September 2013; however, USAID plans to continue demining activities beyond 2013.

Non-American USAID staff travel to Nagorno-Karabakh with the concurrence of the U.S. Co-Chair of the OSCE Minsk Group to implement humanitarian aid programs. Oversight and monitoring of ongoing projects in Nagorno-Karabakh are conducted by non-American USAID staff. The construction projects also receive oversight by a local engineering firm hired to supervise the day-to-day construction activities. For program coordination purposes, non-American USAID staff meet with community leaders, municipality representatives, or representatives of particular services such as the Water Operations and Maintenance unit and the Rescue Team (which includes a demining section), but do not meet or interact with central Nagorno-Karabakh authorities. Due to the nature of the activities, the victims of the conflict who are beneficiaries are those who continue to live in Nagorno-Karabakh.

Questions for the Record Submitted to
USAID Administrator Dr. Rajiv Shah by
Congresswoman Nita Lowey
Subcommittee on State, Foreign Operations
And Related Programs
House Appropriations Committee
USAID FY 2014 Budget Hearing
April 24, 2013

Basic Education

Question #1: I am dismayed that this Administration continues to deprioritize education. Last year we discussed the disappointing FY 2013 request, and yet, at $501 million, the FY 2014 request is worse. We need to be doing more, not less, to offer a quality basic education to the world's children. Can you share the progress on updating USAID's core development principles to include basic education? How will this change be communicated to field missions?

Answer:

USAID has elevated education as a development objective and intends to formally include education as a core objective in the 2011-2015 USAID Policy Framework as part of a midterm review scheduled to take place in the fall. We have already taken important steps to set clear objectives and targets in the Education Strategy, re-orient programming and resources towards achieving the three goals of the Strategy, and to seek broader partnership in international policy discussions. Together, these efforts warrant including education among the Agency's core development objectives. The Bureau for Economic Growth, Education and Environment has notified mission directors and education officers globally of this elevation of education within our Policy Framework. This will be reiterated at the bi-annual Basic Education Summit taking place this August in which all education officers convene in Washington. These steps will help to ensure that education is seen as one of the top priorities for Missions to consider when developing and implementing Country Development Cooperation Strategies. Further formal messages to the field will be communicated by the Bureau for Policy, Planning, and Learning, as part of the midterm review of the Policy Framework.

Question #2: The budget proposal decreases basic education funding in Pakistan by sixty percent. We know that education is one of the best weapons against extremism and instability. How does the Administration justify cutting these programs?

Answer:

USAID remains committed to supporting basic education in Pakistan despite the reduction in the budget request for FY 14. USAID has approximately 24 months of funding available for its basic education program and, in consultation with the State Department, budgeted the amount in the FY 2014 budget necessary to maintain the USG's commitment to this critical investment and meet other top priorities.

The budgets for school construction and scholarship components of the basic education program were "front-loaded" to ensure ample funds to start these programs, and USAID anticipates achieving positive results as the programs come to maturity. The FY 2013 and FY 2014 request levels of $50 million and $32 million are important to full implementation of the basic education program.

Haiti

Question #3: There is great congressional interest in Haiti as well as significant dissatisfaction on the pace of reconstruction. In last week's hearing with the Secretary of State, my friend, Ms. Lee, noted that only 50% of the funds made available for Haiti reconstruction through FY 2012 have been disbursed. Despite the high level of attention, it is difficult to see significant progress. I appreciate the effort to involve the Haitian government and follow their lead in the reconstruction efforts. Has the government taken a leadership role? How are governance challenges affecting the development progress? Do you believe there has been sufficient accountability for the relief and reconstruction funds being used in Haiti?

Answer:

USAID is working alongside Haiti's government to support a shared vision for country-led development. We are increasingly channeling our development assistance through Haitian institutions and organizations in order to increase the country's capacity to provide for its own citizens and reduce its reliance on outsiders.

President Michel Martelly and Prime Minister Laurent Lamothe are taking leadership roles in Haiti's development. In late 2012, they launched the External Aid Coordination Framework (CAED) in the presence of representatives of the donor community, the Parliament, local authorities, the private sector, and civil society organizations. CAED not only offers a permanent and regular consultation mechanism between the GOH and development partners, but also allows the GOH to take the lead on aid management and coordination. At an early May meeting of the International Committee of CAED in Port-au-Prince this month, the GOH led donor partners toward agreement on shared principles for greater coordination and transparency in development assistance.

The U.S. Government (USG) is committed to supporting a responsive, just, and effective government in Haiti. Rule of law and the role of the judiciary need to be strengthened for Haiti to improve security and justice. USAID is supporting parliamentary efforts to debate and pass key governance reforms. Two important pieces of legislation -- an anti-money laundering bill and an anti-trafficking bill -- are currently before Parliament. USAID has also supported the drafting of new penal and criminal procedural codes, which have been approved by the executive and are due to be transmitted to Parliament for consideration. Additionally, the USG continues to work with the GOH to improve access to justice and legal assistance.

One of the most important short-term steps the GOH can take to sustain and strengthen its democratic progress is to hold overdue senatorial and municipal elections in a timely, transparent, and credible manner. April 2013 saw the formal installation of the Transitional

College of the Permanent Electoral Council (CTCEP), which is tasked with organizing elections and ensuring they are credible and transparent. USG funding for upcoming elections will support non-partisan technical assistance to the CTCEP, domestic election observation, women's political participation, and activities to prevent and mitigate election-related violence.

Regarding accountability of funds for Haiti, USAID is employing a comprehensive set of techniques to ensure adequate oversight, monitoring, and evaluation of programming. Procedures are in place at three separate levels in both Washington and in the field to monitor and evaluate programs to ensure they meet performance targets. Strict contracting regulations and highly trained personnel help ensure accountability of taxpayer dollars. USAID also has program managers and financial officers on the ground working to oversee the work of our implementing partners. This level of monitoring has been particularly useful in the timely identification of incidents of abuse and as well as identifying needed program adjustments to achieve project goals.

USAID's M&E efforts in Haiti are complemented by increased oversight by a USAID Regional Inspector General (RIG) team. In FY 2012, USAID established an anti-corruption hotline so that anyone who witnesses potential fraud in any USAID program can pass information to the RIG for investigation.

Outside of our own procedures, USAID works with the General Accountability Office (GAO) on independent audits of programs and processes. USAID welcomes these audits and the opportunity to make needed adjustments and improve program performance.

Since progress in Haiti will ultimately depend upon the quality of its institutions, improving the capacity of both the GOH and civil society is a key part of our strategy. Sound public accounting by the GOH and revenue generation are critical to sustaining donor investments. The USG is also supporting GOH efforts to increase tax and customs revenue generation. At the national level, the USG is supporting the expansion of a financial management system, managed by the Ministry of Economy and Finance, which will allow it to integrate its public accounting systems across ministries, improve government transparency, and further automate government expenditure processes. At the local level, USAID's municipal strengthening program is helping to improve tax collection, thus leading to better services. Through a pilot program in Carrefour, the local community saw an increase in tax revenues of nearly 500 percent.

Question #4: Education should be central to reconstruction efforts. What progress has been made in setting up Communities of Learning in Haiti to better integrate learning with other health and development objectives?

Answer:

USAID promotes the participation of parents, teachers, and community leaders in the schools we support in Haiti. After the 2010 earthquake that destroyed or damaged many schools, USAID refocused its education programs to reconstruct and revitalize schools and community centers. These projects enabled children to go back to school and offered safe gathering places for development and community activities.

USAID'S new education program is designed to increase children's reading skills in the early grades while promoting the important role of the community in helping local children learn to read. This program engages parents and communities in the delivery of after-school reading clubs, summer reading camps for children and other activities that will increase learning outcomes. These efforts will directly reach more than 14,000 children and eventually benefit more than 1 million children nationwide.

USAID is also partnering with the Government of Haiti to establish a community library in Port-au-Prince. In addition to providing a safe space for students to learn and study, the library will serve as a vital community meeting and exchange point. To increase the sustainability of the library, revenue for operating expenses will be generated through membership fees paid by students and community members.

Gender

Question #5: USAID has made tremendous strides in creating tools to comprehensively address aid effectiveness and gender integration. This includes initiatives that work to increase local consultations and procurement for women, like USAID Forward. It also includes the new Gender Equality and Female Empowerment policy and USAID's commitment to reducing gender disparities across social, economic, and political spheres. How will the FY 2014 budget request support the Agency's ability to further gender integration and ensure that programs are tailored to meet the needs of beneficiaries? How is USAID ensuring that staff and contracting agencies are held accountable for integrating gender throughout planning and budgeting, program design and implementation, and monitoring and evaluation?

Answer:

The FY 2014 request reflects a strategic focus on gender equality and advancing the status of women to achieve our foreign policy and development objectives. In the FY 2014 request, USAID has estimated the portion of overall foreign assistance resources that go towards promoting gender equality and female empowerment and requested dedicated funding for specific programming.

The overall FY14 request from State and USAID includes $152 million for activities to implement the U.S. National Action Plan on Women, Peace, and Security. Of this $152 million, nearly $90 million is drawn from the Economic Support Fund and the Development Assistance accounts, with a focus on promoting the inclusion of women in decision-making processes at all levels of government and society, including in peace, stabilization and recovery processes, and on preventing and responding to gender-based violence. These programs seek to strengthen women's participation as political leaders, as well as their capacity as citizens to constructively engage the government in key democratic processes and to contribute to community-based conflict mitigation efforts. For example, in Afghanistan, resources will strengthen women-led civil society groups to develop networking and communications skills and to advocate for women's rights and welfare.

Additional investments in women and girls' health, education, and economic opportunities seek to support conditions for stable societies in countries affected by conflict and transition. For example, with close to $18 million from the Food for Peace account, programs will improve women's access to agricultural resources and to quality nutrition and health services, strengthening stability and promoting economic growth.

To prevent and respond to gender-based violence as a cause and consequence of societal breakdown and insecurity, programs will mobilize and empower women and men to prevent and mitigate violence; work with communities to address norms that perpetuate the acceptability of violence and challenge harmful gender-based attitudes and practices; support policies and programs to prevent and respond to violence; increase access to psychosocial, legal, and health services; and support special protection for women and children in conflict and humanitarian emergencies. From the Democratic Republic of Congo to Bosnia and Herzegovina, resources will promote the development of legislation and response mechanisms to expand the legal remedies, protections and coordination necessary to prevent, investigate, and prosecute gender-based violence.

However, more work remains to be done in order to integrate fully activities to promote gender equality and the advancement of women and girls into all USAID programs. In order to maximize USAID's strategic focus on gender equality, the FY 2014 budget includes a request of $20 million to accelerate implementation of the Gender Equality policy and women's leadership in project designs. The majority of this funding will be programmed for women's leadership, rights, and empowerment to be implemented by USAID including through innovative public-private partnerships that will leverage non-governmental resources to advance the rights of women and girls globally. The funds will also support specific programmatic objectives related to women, peace and security and women's inclusion in peace-building. A smaller portion of funding will be used to aid Missions in integrating gender across their portfolios.

USAID holds its staff and implementing partners accountable for implementing our gender equality policy through several mechanisms. Our first priority has been to build USAID staff capacity and we trained over 600 USAID staff globally in FY 2011-12 in how to integrate gender equality and women's empowerment throughout USAID programs. By the end of 2013, we will also have launched three online courses, one of which is mandatory for all USAID staff, which we will make available to partners, on the basics of gender and USAID's approach to integrating gender across our programs.

Moreover, in 2011, USAID revised budgetary guidelines to include classifications for gender equality, women's empowerment, gender based violence, and women, peace and security. These new classifications were complemented by the creation of nine new indicators on gender equality, women's empowerment, gender based violence, and women, peace and security in the Foreign Assistance Information System that Missions use for performance reporting. USAID Missions and Implementing Partners have recently begun to collect data for several of these indicators and will report on them in the FY 2013 Performance Plans and Reports. Together these strengthened requirements for reporting in annual budget and performance plans will enhance USAID's ability to identify and address gaps related to the promotion of gender equality and women's empowerment in all our programs.

Question #6: As I have watched the Arab Spring transitions, I have been particularly frustrated with the lack of opportunity for women. What specific steps is USAID taking to ensure that women have a role in the governments and economies that emerge from the Arab Spring?

Answer:

The U.S. National Action Plan on Women, Peace, and Security emphasizes the importance of women's meaningful participation and leadership in political transitions. In that vein, USAID continues to support women's participation in all aspects of the ongoing transition processes occurring across the Middle East.

- Libya: USAID is implementing a Small & Medium Enterprise (SME) development program to expand the business potential of women micro-entrepreneurs and women-owned SMEs. The project aims to increase opportunities for women through business skills training; improve women's access to financing through brokered relationships with financial institutions; and offer matching grants and technical assistance to accelerate businesses toward growth and job creation.

- Tunisia: Through USAID programs, women are connecting with their local government officials and laying a foundation for improved communication and action on issues important to them. On a national level, USAID has supported dialogue between Constituent Assembly members and communities, emphasizing the inclusion of women, allowing them to directly express their concerns and suggest solutions to government officials and provide input to the constitution drafting process. Other USAID activities have connected women in prominent media and private sector roles with other women highlighting opportunities for women in the economy.

- Egypt: USAID projects will support women's participation in parliamentary elections through pre-election voter awareness assessments and voter education campaigns targeting women, as well as the issuance of voter id cards for marginalized women (already over 40,000 have been issued). USAID will work with community based organizations to build on previous work with Egyptian women, expanding programming to reach new governorates and train female participants in advocacy, communication, conflict mitigation and civic leadership skills. Also, our employment and entrepreneur activities are geared toward inclusion of women. This includes launching a new scholarship program focused on women's participation in key fields of study in demand by the private sector and ensuring women's access to microfinance.

- Yemen: USAID supports female participants in the National Dialogue by providing them with training and mentoring to ensure that they are able to have an influence in this critical step in Yemen's transition process. Other programming includes improving political parties' outreach and engagement with women, developing platforms more responsive to women's interests, working with civil society organizations to register women to vote. For example, USAID partnered with the Ministry of Human Rights and

the Women's National Committee to co-sponsor the Women's National Conference, which brought together more than 900 activists, civic leaders and high-ranking officials to advance a cohesive women's platform for Yemen's newly elected transitional government.

- Syria: USAID protects and responds to the needs of women and girls through our humanitarian assistance. USAID uses our non-humanitarian assistance to empower women to play a leadership role in their communities and the broader transition. We invest in empowering women to play a more active role in transition planning and peace negotiations, lead reconciliation efforts within their own communities, and run for election to local civil administrative councils in liberated areas of Syria. USAID has supported social media campaigns to build solidarity among Syrian women and increase support for women's participation in the transition.

Frontline Health Workers

Question #7: Global health workers are a key component of building local capacity and strengthening health systems in a sustainable way. The World Health Organization has identified 57 countries that have a human resources crisis defined as fewer than 2.3 doctors, nurses or midwives per thousand people. There is a significant focus on health workers in many of our current global health programs, but it seems that these efforts are within the specific disease silos and we are not maximizing their use in a way that makes sense. What steps has USAID taken to create a health workforce strategy to provide a strategic framework and coherence for the many activities the U.S. government is currently supporting to train and support health workers?

Answer:

USAID has taken specific steps to create a health workforce strategy to provide coherence for U.S. government activities that train and support health workers. Central to this effort, USAID recently established a headquarters Office of Health Systems that is both taking the lead in developing a comprehensive Health Systems Strengthening strategy, with a strong emphasis on increasing capacity for Human Resources for Health (HRH), and creating an overall framework that pulls together efforts previously conducted under disease-specific programs.

Our strategy will encompass and expand on our work in:

- Developing human resource information systems that provide workforce data for informed decision-making;
- Strengthening human resource management practices that increase productivity and improve retention of workers, including process improvement approaches;
- Task shifting – or moving tasks to less-intensively trained, often non-professional cadres – to increase access to and reach of services; and
- Making pre-service education and in-service training more accountable and cost-effective.

All of these efforts serve to increase the quantity of workers while improving their quality. Further, there is a particular emphasis on addressing frontline healthcare workers as the first point of interaction with the healthcare system.

USAID's approaches are informed by the Frontline Health Workers Coalition's efforts to encourage a more strategic approach to frontline workers as the most cost-effective way to save lives and foster a healthier, safer and more prosperous world. USAID has held a number of consultations with the coalition leadership and their constituency to hear their concerns and ideas in order to inform our own strategy. Further, USAID co-leads – together with Centers for Disease Control and Prevention and the Office of Global AIDS Coordinator– the PEPFAR HRH technical working group. The PEPFAR HRH group strengthens collaboration and coordination among the U.S. Government agencies involved in the production, retention, and management of human resources for health.

Afghanistan

Question #8: What is the current status and near-term outlook for USAID's program in Afghanistan? What are we holding on to and what are we turning over to the Afghan government? How do we combat fraud and abuse of USG dollars? Can we sustain the work USAID has done in education and health for women and girls in Afghanistan? I have heard concerns about the Afghan Ministry of Education and want to ensure it is a viable partner to build on the gains we have made.

Answer:

USAID has two key objectives in prioritizing investments in Afghanistan: to mitigate the economic impact of the military drawdown, and to maintain, and make durable, the gains that have been made, including in health and education, particularly for women.

In terms of mitigating the economic impact, USAID is focusing on those investments that will boost jobs and incomes, such as workforce training, agriculture, and private-sector development, and those that will increase revenue for the government, such as trade and the extractives industry. USAID is focusing its health and education efforts on ensuring sustainability rather than expansion. In infrastructure, USAID is moving away from construction of large scale infrastructure to focusing on building the capacity of the government to conduct operations and maintenance (O&M) on the infrastructure in place and commercialization to generate the revenue necessary for the government to cover O&M costs. In addition to its shift in approach in infrastructure, USAID is also transitioning out of stabilization activities as our military winds down kinetic operations. USAID is also continuing to promote women's empowerment to solidify and expand upon gains in this area.

In order to combat fraud and abuse, USAID takes a number of approaches to protect taxpayer funds. We work with a variety of independent oversight entities, including the USAID Office of the Inspector General, the Special Inspector General for Afghanistan Reconstruction and the U.S. Government Accountability Office. Under the Accountable Assistance for Afghanistan (A3) initiative, USAID seeks to prevent funds from being diverted from their

intended use by malign actors by vetting non-American organizations, limiting sub tiers in contracting, conducting audits of locally incurred costs, and bolstering our monitoring and evaluation efforts, including with the planned increase in the use of technology and third-party monitors. Our on-budget assistance comes with strict accountability standards, including pre-award risk assessments, risk mitigation plans and the implementation of such plans prior to providing funds. Disbursement is contingent upon the achievement of mutually agreed upon milestones. The funds are kept in a separate bank account, with USAID access and annual audits.

As mentioned above, sustaining the development gains achieved over the last decade in Afghanistan is a top priority for USAID, particularly in education and health for women and girls. Over the last 11 years, the Ministry of Public Health, with support from USAID and other donors, has been successful in rebuilding the healthcare system with low-cost, high-impact interventions, to improve the health of Afghans, with notable results for men, women and children. Access to basic health services--the ability to reach a facility within one hour by foot--has risen from 9 percent in 2001 to more than 60 percent today, and more than 22,000 health workers have been trained. The peer-reviewed Afghanistan Mortality Survey 2010 shows impressive results from these development investments:

- Life expectancy has increased by 15-20 years, from 44 years to over 60 in the last decade.
- The under-five mortality rate has been reduced from 172 to 97 deaths per 1,000 live births.
- The estimated maternal mortality ratio declined significantly from 1,600 per 100,000 births to 327 per 100,000 births.
- The number of functioning primary health care facilities increased from 498 in 2002 to over 1,970 in 2010.

The education sector has also experienced dramatic improvement over a decade, although there is still much work to be done, especially for women and girls. Enrollment in Afghan schools has increased from 900,000 boys and nearly no girls in 2001, to eight million children today, more than a third of whom are girls. USAID has built or refurbished more than 680 schools, about 10 percent of which are girls-only schools. Further, USAID's education projects invest in teacher training for women, development and printing of materials and textbooks that portray women in non-traditional roles, as well as basic furnishings to facilitate girls' attendance. Community-based education classes have supported 70,000 girls and 390 female teachers in remote areas. Literacy and numeracy skills training have reached more than 94,000 Afghans of which 62 percent are female in 20 provinces.

We believe that the Afghan government ministries with whom USAID has worked, Parliament, and civil society are well positioned to help sustain the work USAID has accomplished in partnership with various ministries in support women and girls in Afghanistan. USAID plans to continue to provide assistance to these sectors and institutions so that they may maintain the gains hard won over the last 11 years.

Question # 9: How is our military draw down affecting your program implementation and personnel protection in Afghanistan? I understand you lost a bright, young colleague there last year, Foreign Service Officer Ragaei Abdelfattah, to a terrorist attack, and we just lost State Department Foreign Service Officer Anne Smedinghoff this month. How do we protect our USAID staff and how do your contractors protect their staffs in such an inhospitable environment and with U.S. troops decreasing in numbers?

Answer:

The sacrifices of Ragaei Abdelfattah and Anne Smedinghoff are forever embedded in the history of our efforts in Afghanistan. Security is of paramount importance to USAID, and every effort is taken to make sure our staff are protected while implementing programs of vital national interest. During the civilian surge, USAID increased its Chief of Mission (COM) presence, operating out of coalition-protected bases throughout the country, in order to ensure proper management and oversight of U.S. development efforts in Afghanistan. The security, mobility, and life support for these personnel were provided for by various international military entities operating in different regions, in close consultation with the U.S. Embassy's Regional Security Office (RSO). As the military draws down, USAID's overall field presence in Afghan provinces will be reduced, which will limit the ability of USAID staff to make site visits.

USAID is changing its operational model to mitigate the impact of the drawdown on monitoring. Through the planned Remote Third Party Monitoring initiative, a set of monitoring tools or methods will be used to verify project performance including:

1. **Third-party monitors:** monitors that verify activities an implementing partner has completed and reported to USAID.
2. **Global Positioning System (GPS) Tracking**: GPS receivers that navigate and verify activity locations.
3. **Photography**: Timestamp-enabled digital photos that demonstrate project implementation.
4. **Remote Sensing**: satellite and aerial imagery that verify technical projects are advancing as planned.
5. **Surveys**: public opinion surveys that provide perspective on performance of a project.
6. **Remote data collection with mobile devices**: SMS self-reporting that verifies and monitors activities.
7. **Crowd Sourcing**: outreach via locally distributed mass media that solicits feedback on specific aspects of project performance through communities.

USAID anticipates that our implementing partners will be able to continue to work in the field as they have worked over the past decade in Afghanistan. Many of our partners take a community-based approach to security and will continue to do so; currently only 30 percent of our USAID partners use the Afghanistan Public Protection Force (APPF). USAID continues to work extensively with the Department of Defense, ISAF, State Department, and the Afghan Ministry of the Interior to ensure that transition of guard security provided by the APPF is fulfilling the needs of development projects and humanitarian aid in Afghanistan.

Contraceptive R&D

Question #10: USAID has played a strong leadership role in the development of new contraceptive methods, especially those that can be used in low-resource countries. In USAID's 2012 report to Congress on its Health-Related Research and Development Strategy, the refinement, development and introduction of new contraceptive technologies was outlined as a goal. What does USAID have planned in this area? Why is it important for USAID to continue its commitment to contraceptive R&D?

Answer:

USAID is investing in research and development (R&D) of a range of contraceptives that will expand women's and couples' family planning options. These include: female-controlled methods; long-acting reversible methods; modified formulations of existing methods, which enable delivery by lower-level health workers; and multi-purpose technologies.

USAID has three objectives in contraceptive R&D:

1. Refine existing contraceptive methods to make them more affordable (by reducing manufacturing and supply costs), more acceptable (by reducing side effects), easier to provide (by reducing the need for skilled providers), and easier to use (by reducing the complexity of technologies and instruction);
2. Develop and introduce new contraceptive methods that fill the duration-of-effectiveness gap between the three-month injectable and the five-year implant; and
3. Develop and introduce multipurpose prevention technologies that meet the simultaneous risks of unintended pregnancy, HIV, and other sexually transmitted infections.

Family planning is a critical health and development intervention. Providing women with a broader range of contraceptive methods improves the likelihood that any given woman will find a method that best suits her reproductive intentions and method preferences.

Feed the Future

Question #11: The scope of Feed the Future (FtF) seems to have broadened since its launch in 2009. In addition to USAID, State, and Treasury funding, the FtF 2012 progress report lists agriculture funding from the Millennium Challenge Corporation between 2010 and 2012, Food for Peace Title II Development Food Aid, and USDA-administered development food aid programs as related food security funding included in the FtF Monitoring System. What coordinating mechanisms are in place to ensure that all these different programs adhere to FtF principles, goals and objectives?

Answer:

By taking a whole-of-government approach to implementation of Feed the Future, we are able to effectively leverage the relevant capacities of different departments and agencies and allow them to work in areas where they have a comparative advantage. Feed the Future draws on the expertise and experience of a number of federal agencies, including the Departments of State, Agriculture, and Commerce, the Millennium Challenge Corporation (MCC), U.S. Trade

Representative, the Overseas Private Investment Corporation, Peace Corps and the U.S. African Development Foundation, and they have been involved every step of the way.

To coordinate and lead Feed the Future implementation in Washington, USAID established the Bureau for Food Security (BFS). BFS facilitated interagency strategic reviews of all 22 Feed the Future focus country implementation strategies.

Representatives from various USG departments and agencies discussed and provided feedback to USG country team presentations before final strategy submission. As a result of this USG whole-of-government approach, Feed the Future investments in-country are focused, leveraging USG resources to create the greatest impact.

In the field, Missions are asked to engage and coordinate with relevant agencies at post, in order to harness and align all available food security resources. To facilitate the coordination of USG activities at the country level, the U.S. Ambassador in our Focus Countries will designate an FTF Country Coordinator. The FTF Country Coordinator leads the implementation of FTF at the country level and is responsible for maximizing the impact of USG resources by aligning, coordinating, and integrating FTF and other USG resources, together with the resources of the host government and development partners. For example, in Kenya, the Department of Agriculture is working in partnership with the USAID Mission to address the threat of aflatoxin by building the capacity of the Kenya Plant Health Inspectorate Service to safeguard food safety. Meanwhile, in Cambodia, Feed the Future's Helping Address Rural Vulnerabilities and Ecosystem Stability (HARVEST) program regularly collaborates with Peace Corps Volunteers and teaches them how to deliver nutrition education and good agricultural practices training in the communities in which they work.

Question #12: Feed the Future has a whole of government approach, but most programming is focused on macro-level growth. Is there evidence that the Feed the Future strategy will have an impact on reducing poverty for the most vulnerable in focus countries as opposed to increasing income inequality? What percentage of FtF investments will be targeted at reaching people who live in extreme poverty?

Answer:

Feed the Future focuses on creating a foundation for sustainable economic growth by working on both macro and micro levels at once: by helping countries accelerate inclusive agriculture sector growth through improved agricultural productivity, by expanding markets and trade, and by increasing economic resilience and access to nutritious foods in vulnerable rural communities. By tackling the root causes of hunger and poverty, in addition to working directly with vulnerable populations, we will help move countries away from the need for food assistance. Our investments in increased agricultural productivity and market development will contribute to greater food purchasing power on the part of vulnerable households, including subsistence farmers and landless laborers, through its positive impact on incomes, wages, and food prices. FTF programs often work by connecting smallholder farmers to larger value chains, which affords them better market access for purchasing inputs at fair prices (e.g., seeds,

fertilizer) and for selling their produce. Our investments in improved nutrition will strengthen the ability of governments and communities to monitor, prevent, and treat undernutrition.

For example, in Ethiopia we are promoting agriculture-led economic growth in productive areas while linking smallholder farmers to livelihood-building efforts in food-insecure areas of the country. The strategy utilizes a Push/Pull model that seeks to increase the participation of vulnerable and chronically food insecure households in economic activity (the "push"), while mobilizing market-led agricultural growth to generate relevant economic opportunity and demand for smallholder production, labor, and services (the "pull").

We have begun to see serious impacts in our efforts to help the most vulnerable through Feed the Future. In Fiscal Year 2012, Feed the Future reached 9.2 million rural households and 12 million children under 5 years of age with our programs. As a result of our work with smallholder farmers, 7 million farmers applied new technologies or management practices that will help improve their productivity and the nutrient content of their food. Seeing these types of impacts is just as important to Feed the Future as macro-level growth.

The FY 2014 budget request includes $105 million for programs specifically targeted to highly vulnerable populations, aiming to increase their economic resilience and reduce their vulnerability to drought and other climatic or economic risks. These funds will enable Feed the Future to continue to build on USG humanitarian efforts to reduce chronic hunger.

Question #13: What specific outreach is being done to engage with civil society and grassroots agricultural associations? How does consultation continue past initial planning and country strategies? Does USAID have any guidance or minimum standards on this topic?

Answer:

For our development efforts to be successful, we must work with our host- government partners to promote broad consultation with civil society, farmers groups, the private sector, and non-governmental institutions.

Local civil society institutions are an integral part of Feed the Future's implementation and monitoring and evaluation efforts. In FY 2012, Feed the Future provided assistance to over 53,000 local organizations, including producer organizations, women's groups, trade and business associations, and community-based organizations.

Civil society organizations here in Washington, DC participate in the Feed the Future initiative through various avenues including the New Alliance Leadership Council, the USAID Advisory Committee on Voluntary Foreign Aid, and the BIFAD Board, as well as university outreach tours and conferences. We encourage participation from our partners through technical meetings hosted on Agrilinks, webinar series, Twitter Chats, and eConsultations. We are currently in the final stages of design for a civil society landing page on the Feed the Future website, where in addition to the resources already available, our NGO partners will be able to find targeted and relevant information for civil society stakeholders engaged in fighting hunger and malnutrition.

NGOs and other civil society actors also serve as implementing partners in many Feed the Future programs. They help to advance food security objectives as a result of their local ties and are able to reach communities that can be challenging to access and understand local needs on the ground; this expertise helps to ensure programs are tailored to specific communities and can achieve maximum impact. In Senegal, for example, in collaboration with local partners, Feed the Future is engaging over 350 community nutrition volunteers who teach families to prepare nutritious meals and practice good hygiene. This program helps farmers improve agricultural practices in over 80 community demonstration gardens. By identifying locally grown, nutritious foods, these workers are helping reduce micronutrient deficiencies in children in over 350 villages.

Finally, Feed the Future focus country investment plans (CIPs), which are country-led multi-year investment plans for food security, were formed in consultation with civil society. This has helped ensure that each country investment plan represents a national, comprehensive strategy for significantly reducing hunger and poverty and improving food security in a particular country. Our Feed the Future scorecard measures and scores our efforts to engage with civil society organizations here in Washington, DC as well as in our partner countries. Some of the key indicators it tracks are: 1) whether focus countries use outreach platforms to connect with civil society organizations and private-sector companies to inform CIP development and implementation; 2) whether focus countries hold joint sector reviews with these actors; and 3) whether Feed the Future staff in-country regularly hold consultative meetings with U.S. NGOs. Where applicable, USAID uses the Global Agriculture and Food Security Program (GAFSP) Quality of Participation Guidelines as a guide for organizing and gauging the quality of stakeholder meeting.

We are committed to ongoing engagement with local and international NGOs as we strive to achieve Feed the Future's key objectives: to reduce poverty and undernutrition. On June 12, 2013, USAID will host a public meeting of the Advisory Committee on Voluntary Foreign Affairs focused exclusively on a Feed the Future civil society action plan, which will help us to strengthen engagement with NGOs and civil society organizations and move us forward in the fight against hunger and malnutrition. This plan will encourage broad-based dialogue; foster creation of new partnerships among donors, the private sector, and partner governments; and promote best practices.

Questions for the Record Submitted to
USAID Administrator Dr. Rajiv Shah by
Representative Mario Diaz-Balart
Subcommittee on State, Foreign Operations
And Related Programs
House Appropriations Committee
USAID FY 2014 Budget Hearing
April 24, 2013

Question #1: Congressional intent as expressed in the Cuban Liberty and Solidarity (LIBERTAD) Act of 1996 and the Cuban Democracy Act (CDA) of 1992 provides explicit guidelines on how appropriated dollars must be spent in promoting democracy in Cuba. Section 109(a) of LIBERTAD provides that:

> (a) AUTHORIZATION- Notwithstanding any other provision of law (including section 102 of this Act), except for section 634A of the Foreign Assistance Act of 1961 (22 U.S.C. 2394-1) and comparable notification requirements contained in any Act making appropriations for foreign operations, export financing, and related programs, the President is authorized to furnish assistance and provide other support for individuals and independent nongovernmental organizations to support democracy-building efforts for Cuba, including the following:
> (1) Published and informational matter, such as books, videos, and cassettes, on transitions to democracy, human rights, and market economies, to be made available to independent democratic groups in Cuba.
> (2) Humanitarian assistance to victims of political repression, and their families.
> (3) Support for democratic and human rights groups in Cuba.
> (4) Support for visits and permanent deployment of independent international human rights monitors in Cuba.

Section 1705 of the CDA further provides that, "The United States Government may provide assistance, through appropriate nongovernmental organizations, for the support of individuals and organizations to promote nonviolent democratic change in Cuba." As such, those activities directly related to "democracy-building," especially the examples provided in numbers 1-4 of Section 109(a) of LIBERTAD, and directly in furtherance of promoting "nonviolent democratic change in Cuba," are authorized.

Due to the relatively small budget for Cuba programs, the immense need among Cuba's growing pro-democracy movement, and the difficult challenges that face Cuban pro-

democracy activists, it is imperative that this funding is spent effectively and in strict accordance with its intended purpose.

a Will the upcoming CN strictly adhere to Congressional authorization for the program – providing assistance to the victims of political repression, supporting pro-democracy groups, and promoting democracy inside Cuba?

b What is USAID doing to ensure that implementers and programming strictly adhere to the authorization of "democracy-building" in Cuba?

Answer:

The USAID programs in the joint State/USAID FY2012 CN adhere to Congressional authorization through programs that provide humanitarian support to political prisoners and their families, build civil society and expand democratic space, and facilitate the information flow in, out, and within the island.

In the last three years, USAID has made significant management and programmatic improvements while maintaining our unwavering commitment to promoting fundamental freedoms for the Cuban people. As evidenced in the last GAO report, USAID has been highly effective in implementing these changes throughout the portfolio. These include increasing program management and oversight and redirecting efforts towards a direct impact inside Cuba. To do so, USAID hired additional staff to oversee the daily management of projects and contracted the services of an audit firm and a performance monitoring and evaluation firm to ensure that implementing partners carry out programs effectively and consistent with U.S. law and policies. These reforms allow USAID to maximize the effort to reach out to the Cuban people in support of their desire to freely determine their country's future.

Question #2: Cuba is a unique and especially dangerous environment for democracy work due to the repressive Castro regime. (a) Will USAID only select implementers with experience working within Cuba are selected? (b) Will USAID include experience in Cuba as part of its technical evaluation criteria for its upcoming CN?

Answer:

USAID utilizes a competitive process to select grantees. Because of the unique operating environment in Cuba, prior experience implementing programs in closed societies, particularly in Cuba, is a key factor in the selection process. The majority of the awards made by USAID in the last three years were made to groups with prior experience in Cuba. For the FY2011 RFA process, USAID amended the grant application to clarify USAID's preference for specific experience in Cuba and added weight to such experience in the evaluation criteria. Future RFAs will continue this same criteria. We also recognize the value of experience in closed societies beyond Cuba and do not exclude such groups from eligibility.

Question #3: Once again, the administration has recommended a 25% percent cut to the Cuba democracy program and cites the unspent Cuba dollars "in the pipeline" that remain unspent. However, it is now May and we still do not have a Cuba CN. (a) What is the cause of the delay in proceeding with the funding for Cuba democracy programming that Congress appropriated for FY2012? (b) What is being done at USAID to ensure that the CN, and the process of selecting implementers, moves in a more timely manner in the future?

Answer:

Prior to submitting a Congressional Notification for Cuba, USAID and the State Department engage in a deliberative interagency process as well as extensive conversations with Members of Congress and their staff. In the lead-up to the FY12 CN, USAID and State Department representatives held consultations with the four primary committees of jurisdiction in Congress.

We value greatly the input provided by Congressional staff to help shape and inform the concepts for programmatic focus. The last briefing with staffers was held at the end of February 2013, and feedback was incorporated into the final document.

The State Department and USAID joint Congressional Notification on its intent to program FY2012 in ESF was submitted on May 17, 2013.

Question #4: The Castro regime has one of the world's most egregious human rights records, and human rights organizations have documented the dramatic increase in arrests, beatings, and imprisonments in the past two years. Cuban pro-democracy activists have engaged in hunger strikes and undergone severe repression to demand essential liberties. Furthermore, U.S. humanitarian aid worker Alan Gross has been held hostage in a Cuban prison for more than three years for the "crime" of helping a small Jewish community connect to the internet. (a) In this context of severe repression of fundamental rights and dire need for democracy assistance in totalitarian Cuba, why is the administration recommending a 25% cut to the already small Cuba democracy program?

Answer:

The request for $15M is based on our assessment of needs on the ground, and on-island and off-island capacity to carry out programs. In addition, the combined pipeline (FY09 to FY12) for Department of State and USAID implementers is approximately $44 million, sufficient funding to carry out the purposes of the program over the next three years.

Question # 5: The President's budget includes a sizeable request of $580 million for the Middle East and North Africa Incentive Fund. I understand that the President requested $770 million last year but Congress did not fund the request. According to this year's budget, the Incentive Fund "will support countries in transition and provide incentives for long-term economic and political reforms." Can you please provide more detail on this fund and how it would be used? What are some examples of how the fund will be used? Why does the Administration feel we need a new program to carry out this program? Why not use the existing channels and programs? Are they not working effectively and efficiently?

Answer:

Since the Arab Spring the Administration has sought to reorient our assistance posture in the Middle East away from a heavy reliance on security toward more support for political and economic reforms. While bilateral funding in the region is being reassessed to meet new requirements, and existing programs are being better calibrated to emerging needs, ongoing security commitments and challenges remain. Our ability to capitalize on the opportunities and address the challenges presented by the Arab Spring requires both new resources and methodologies to encourage reformers to undertake the political, security, and economic reforms that respond to citizen demands. MENA IF is specifically designed to demonstrate a visible commitment to reform by conditioning assistance on credible and transparent reform agendas; create space for civil society to engage their governments on priorities and hold their governments responsible for results; and provide immediate stabilization support for countries in transition, as we did this past year with Tunisia, Egypt, and Libya. This mechanism would allow us to deploy new assistance methodologies, and provide the flexibility needed to respond to demands and opportunities as they emerge.

With regard to planned uses, MENA IF is designed to be a flexible mechanism to respond to emerging events and incentivize long-term reforms. While there are no pre-determined allocations, we notionally intend to reserve two-thirds of the MENA IF for incentives for long-term transitions, with primary focus on governance and economic reform and one-third for immediate stabilization contingencies, to support immediate political transition processes and short-term economic stabilization needs. The entry-point for a country to access MENA IF resources would be government-backed reform plans made public to citizens, supported by U.S. resources for high-impact initiatives and programs, with mutual commitments and conditions for support. Performance would be measured against mutually agreed benchmarks included in the reform plans, with civil society monitoring progress. All monitoring and evaluation efforts associated with MENA IF will be aligned with the Department of State's and USAID's rigorous policies requiring evaluation of projects/programs using internationally accepted evaluation standards.

The MENA IF authorities allow us to provide funding for a range of foreign assistance programs; this lets us determine what will be most effective, whether they are governance, economic development or security sector reform programs. Without the

MENA IF as a separate account, we do not have the flexibility to respond to actual needs, which could emerge in any country and for a range of programs from humanitarian assistance to security sector reform to peacekeeping operations. We are limited by where we can find money and the authorities tied to those funds. Without the MENA IF authorities for debt relief, loan guarantees, and enterprise funds, we will also have limited policy tools and will be able to respond only to the most urgent crises.

We also need new authorities that are requested for MENA IF to remain engaged in the reform process. For example, with the authorities requested in the MENA IF, we would be able to provide loan guarantees or debt relief, depending on the fiscal support needs of the government, which are more cost effective than direct transfers.

Over the last two years, we have allocated more than $1.8 billion to support the democratic transitions in the Middle East and North Africa and to respond to emerging crises — by making tradeoffs from other programs around the world to support change in Egypt, Tunisia, Libya, Syria, Yemen, and Jordan. This has imposed opportunity costs on other programs that we cannot continue to absorb. Most of the funds more readily available for reprogramming, such as those available due to our declining program in Iraq and challenges with Pakistan, have been utilized. While we have relied on savings from Front Line States in FY 2012, this source will be less and less available as those budgets are normalized. Without the MENA IF, we will have to continue reprogramming from existing accounts at great cost to respond to escalating needs in Syria and elsewhere.

Question #6: The ongoing conflict in Syria has caused more than a million refugees to flee to neighboring countries. These countries are struggling to host these displaced persons. In Jordan, the refugee flow has caused major strains on the Kingdom. During his visit to Amman in March, President Obama pledged additional American aid to support Jordan's efforts. What additional measures are we taking to assist Jordan in dealing with the growing numbers of Syrian refugees and to help ensure future stability there?

Answer:

The Jordanian people are responding to the humanitarian crisis in Syria with generosity and hospitality. During the President's recent visit to Jordan, the Administration committed to increase USAID's assistance to Jordan, as follows:

- An additional $200 million in general budget support to help offset the cost of government services in communities hosting Syrian refugees. The disbursement of these funds is scheduled take place by the end of May. The $200 million is in addition to $100 million in general budget support that was provided to Jordan in July 2012 for the same purpose.
- A sovereign loan guarantee to support the reforms necessary for Jordan's economic stability and development. The USG is currently discussing the size, structure and timing of the loan guarantee with the Government of Jordan.

Beyond the USAID/Jordan Mission's annual budget of $360 million, USAID has identified additional sources of funding to respond to the impact of the Syria crisis on Jordanian communities through its bilateral program. These additional funds include:

- $20 million in Complex Crises Funds to support community-based water collection, storage, and conservation, as well as repairs to water pipelines and other water infrastructure in northern communities.
- $11 million in funds reprogrammed from Iraq to support basic education, by increasing school construction and rehabilitation work in the northern governorates, expanding an early grade reading program in schools with large numbers of children requiring remedial learning support, and training teachers to better integrate Syrian refugee children into Jordanian schools.
- $1 million in Victims of Torture funding to provide services to torture victims – many of whom are refugees – including mental health services for physical therapy patients and training for health care providers.
- $700,000 from USAID's Human Rights Grants Program to support an awareness-raising campaign targeting both refugees and host communities to reduce early marriage, human trafficking, child labor, and sexual and gender-based violence – issues subject to increased pressure as a result of the crisis in Syria.

Under the USAID/Jordan Mission's annual budget of $360 million, there are a number of ongoing or new activities that are alleviating stresses on Jordanian communities. These include:

Democracy and Governance

- $52 million for a new civic engagement project designed to alleviate stresses on communities by strengthening local capacity to identify and address high priority issues that have the potential to lead to conflict. This program will also aim to promote social cohesion, tolerance, and conflict mitigation.

Water

- USAID recently completed the Zatary pumping station and a 48 km pipeline system in the north of Jordan. By 2014 this system will bring water from southern Jordan to the north. It constitutes the backbone of the water supply system in northern Jordan, where most Syrian refugees are located.
- USAID is rehabilitating and expanding a wastewater treatment plant near the northern city of Mafraq, which will be completed in 2014.

Health

- In the last eight years, USAID has renovated, equipped, and furnished the obstetric and neonatal wards at 25 hospitals, six of which are in the north, where most Syrian refugees are located. This is coupled with a variety of programs designed to build capacity of healthcare providers, improve the quality of services, and establish information management systems at both primary and secondary healthcare levels. This has been critical to the Government of Jordan's ability to meet the increased demand for healthcare services.

Education

- In the past two years, USAID built five new schools in northern Jordan that currently serve over 4,500 students. Current plans include renovating and expanding 61 additional schools across the country with priority on those schools in regions with large Syrian student populations.
- USAID convenes meetings between community members, parents, and schools to dissipate potential tension between Syrian and Jordanian populations.

The U.S. government, through the State Department's Bureau of Population, Refugees and Migration, has provided nearly $55 million to assist Syrian refugees and support host communities in Jordan. This funding supports international humanitarian organizations including the United Nations High Commissioner for Refugees for refugee protection and basic needs, the United Nations International Children's Fund for education and water, sanitation and hygiene, and the International Organization for Migration for refugee transportation and health screening. In addition, several NGOs working in the fields of shelter, non-food assistance, health and mental health, and protection from gender based violence benefit from U.S. government funding. This programming is accessible by host community members as well as refugees.

Question #7: I understand that USAID has taken a global leadership role in implementing a new test for diagnosing TB called GeneXpert. This new technology holds the potential to dramatically improve not only the detection of TB but control and prevention of the disease around the world. USAID's TB program has rolled GeneXpert out in 25 of the world's most highly burdened countries and is providing vital technical expertise to ensure appropriate utilization of this new technology as well as monitoring and evaluation frameworks to measure outcomes. Will USAID be able to continue its plans to expand the use of GeneXpert, including the necessary technical assistance, if the President's proposed 19% cut to the TB program is enacted?

Answer:

The use of GeneXpert will dramatically increase the rapid detection of tuberculosis (TB), including multidrug-resistant TB (MDR-TB) and HIV-associated TB. USAID will continue to expand the roll out of GeneXpert with the FY 2014 resources requested by the President. Many of the highest burden TB countries continue to struggle to detect the most serious forms of TB, and the use of GeneXpert, in a strategic and carefully implemented manner, will significantly increase case detection and decrease the time to place persons on appropriate therapy.

Because USAID has such a strong in-country presence and technical partners, the Agency is rolling out GeneXpert to strengthen overall systems; create linkages between stakeholders, partners and other disease programs, such as HIV; and begin to develop sustainable mechanisms to ensure future funding for test cartridges. Currently, USAID has focused the roll-out of GeneXpert on testing persons with suspected MDR-TB or HIV-positive individuals with TB symptoms in the highest burden TB countries.

Questions for the Record Submitted to
USAID Administrator Dr. Rajiv Shah by
Representative Kevin Yoder
Subcommittee on State, Foreign Operations
And Related Programs
House Appropriations Committee
USAID FY 2014 Budget Hearing
April 24, 2013

Question #1: Over the past two years the Committee has included bill language that would limit direct government to government assistance unless recipient vulnerabilities and weaknesses have been addressed. We don't want direct funding going to organizations that are not equipped to administer those dollars with the requisite oversight and accountability. We want to make sure U.S. foreign assistance isn't about handouts, or the mere transfer of taxpayer dollars, but rather about providing the kind of technical expertise that can build local capacity and sustained economic growth.

a. Do you support these limitations on direct assistance?
b. Do you believe USAID is complying with the requirements in that section of the legislation, both in terms of assessing recipient systems and protections, and reporting back to this committee?

Answer:

USAID is committed to ensuring that government-to-government assistance is effective, because we see it as essential to the Agency's ultimate development goal: creating the conditions where aid from American taxpayers is no longer needed because countries can support and sustain their own development. To that end, USAID is working to build and strengthen the capacity of local institutions in aid-recipient countries to better manage their finances and implement their own development programs. This requires using these local systems – selectively, carefully, and with appropriate safeguards and rigorous assessments, because USAID also shares your recognition that increasing the use of local governments to deliver American assistance carries an element of risk.

Section 7031(a) of the FY 2012 State, Foreign Operations, and Related Programs Appropriations Act requires each partner country government ministry or agency receiving SFOAA funds directly to have been assessed and meet certain conditions. These requirements track the rigorous requirements for direct government-to-government assistance that USAID established in August 2011, in advance of the legislation. USAID's policy, set forth in our Automated Directives System Chapter 220, *Use of Reliable Partner Country Systems for Direct Management and Implementation of Assistance*, prescribes a five stage risk assessment process to ensure that partner country government entities being considered as direct recipients of USAID funding have the appropriate financial, administrative, and technical capacities in place before USAID entrusts U.S. taxpayer funds to them. The risk assessment includes an

examination of public financial management systems – budget, treasury, procurement, audit, administrative, management and the technical capacities of the ministry or agency actually delivering the project results – through which funds may flow, in order to ascertain the viability of those systems. All identified risks are appropriately mitigated (if it is reasonable and appropriate to do so) and documented on a risk mitigation plan. If the risk is too great or cannot be addressed by reasonable risk mitigation measures, we simply do not fund the partner country government entity. We also require our most senior, field based officials (Mission Directors, who have the country specific context) to make a written "Approval for Use of Partner Country Systems" (AUPCS) before funding is provided, which incorporates the risk mitigation plan, as appropriate. That AUPCS and its accompanying risk mitigation plan in turn are incorporated in the project design, and the bilateral project agreement with the partner government, which is monitored and evaluated along with progress toward project results. USAID always retains a unilateral right to suspend or terminate all government-to-government awards.

In addition to both the statutory and USAID policy based, fiduciary and technical risk procedures outlined above, our assessment teams also assess democratic governance, human rights and rule of law aspects of the partner country governments that we are considering as potential partners, to ensure that we partner with governments that demonstrate sufficient commitment to these fundamental U.S. values, and also that our assistance does not empower any government at the expense of its people.

USAID is complying with both the Section 7031(a) statutory requirements and USAID's similar internal assessment requirements. A September 2012 GAO audit of the USAID direct government to government procedures discussed above made no findings or recommendations concerning improvements of our assessment policies, again which track the Section 7031(a) requirements.

Questions for the Record Submitted to
USAID Administrator Dr. Rajiv Shah by
Representative Barbara Lee
Subcommittee on State, Foreign Operations
And Related Programs
House Appropriations Committee
USAID FY 2014 Budget Hearing
April 24, 2013

Whole-of-Government Approach to Global Health Diplomacy

Question #1: Secretary Clinton established the first-ever Diplomacy and Development Review, also known as the QDDR, which aimed to better coordinate diplomacy and development activities as part of a "smart power" approach to U.S. foreign policy—something I believe in wholeheartedly and have been working on for a very long time.

As you know, in this tight budget times, the need for interagency coordination between all agencies implementing global health programs has never been more important.

What is your view on the state of interagency coordination among USAID, State Department and other agencies in the whole-of-government approach to global health diplomacy?

What steps could you take or have you already taken to ensure effective coordination and integration with this new Office of Global Health Diplomacy?

Answer:

At Washington headquarters, leadership of USAID, CDC and PEPFAR continue to meet on a regular basis to discuss policy issues related to our collective work in the field. In addition, there are technical committees that address cross-cutting issues, such as monitoring and evaluation, which are structured around the comparative advantages of the three agencies to produce the greatest results. Over 40 USG-supported countries have written strategies for operationalizing the Global Health Initiative and in-country teams work together to achieve the goals outlined in these strategies. The Office of Global Health Diplomacy is being integrated into the interagency structure to provide diplomatic support toward the implementation of USG's global health policy.

Women and Girls in Afghanistan

Question #2: The situation for Afghan women is likely to be affected by any overarching political settlement within Afghanistan as well as by the U.S. drawdown between now and the end of 2014.

How can the United States protect the rights of Afghan women and girls, and safeguard the progress achieved thus far, after the U.S. troop withdrawal in 2014?

What is the role, if any, that USAID might play, either directly or in coordination with other actors?

Answer:

USAID is fully committed to ensuring that the progress made in women's rights and empowerment is an enduring legacy of our assistance to Afghanistan. Post 2014, USAID will continue to support and expand on these hard-fought gains by building upon past and existing programs to support the empowerment of women and girls in Afghanistan. While there is much more work to be done to support women and girls, significant achievements include:

- Today, more than eight million children are enrolled in schools, 35 percent of whom are girls, compared to 2001 when only 900,000 boys and almost no girls were enrolled in schools.
- Since 2008, nearly 120,000 girls have graduated from secondary school and an estimated 40,000 are enrolled in public and private universities.
- Between 2003 and 2010 life expectancy for women has increased from 45 to 62 years.
- The Afghan Constitution reserves 25 percent of seats in Parliament for women. Currently 69 (27.7%) women serve in Parliament.

The United States continues to prioritize promoting Afghan women's rights and opportunities to ensure that the positive gains made since 2001 continue to be strengthened. In 2011, USAID/Afghanistan implemented a Mission Order on Gender, which ensures all USAID programming takes into account gender through a gender analysis conducted during the project design phase. In 2012, Embassy Kabul also implemented the USAID Gender Equality and Female Empowerment Policy by requiring that gender equality and women's participation be integrated into all of USG policies and programs through transition and beyond. Implementation of the policy by USAID/Afghanistan also supports the goals set by the Afghan government's National Action Plan for the Women of Afghanistan (NAPWA).

The United States also continues to emphasize to Afghan government officials the importance of maintaining the gains and enforcement of basic human rights in health,

education, economic empowerment, security and access to justice, and political empowerment of Afghan women. USAID plays a leading role in implementing the USG's civilian strategy for assistance to women in Afghanistan in the areas of health, education, economic development, and stabilization and it plays a supporting role in implementing strategy in the areas of reintegration, access to justice and political empowerment.

In addition, USAID mandates gender analyses of all programs in order to ensure that current and future programming closes gaps and enhances women's participation and leadership. To date, more than 30 gender analyses have been conducted for USAID/Afghanistan projects in different sectors. For example, the Sustaining Tertiary Education Program – University Partnerships (STEP-UP) design was informed by gender analysis, resulting in strengthened requirements to achieve gender parity in all activities. STEP-UP will increase the pool of Afghan women who attain advanced education to achieve higher levels of income and assume positions of leadership in government and in the private sector. Higher education is necessary to advance gender parity and to increase the number of women in university leadership positions. STEP-UP supports the National Action Plan for the Women of Afghanistan. Technical assistance to the Afghan Ministry of Higher Education will enable it to complete the gender strategy begun with prior USAID support and will help enable its implementation.

Building on current and prior gender programming in Afghanistan, USAID is designing a new program intended to help cement and further gains for women through the upcoming political, security and economic transitions in 2014. The new program will be designed to provide opportunities to enable educated young women to enter and advance into mid-high level positions in all sectors of society – business, government, academia, non-profits, and even politics.

Through this program, USAID aims to directly benefit women within the targeted group of women between 18 and 30 years of age, who have at least a secondary education. The goal is to support activities that will be enhance their ability to advance into and remain in decision-making positions in Afghanistan's public, private and civil society sectors. These women represent an invaluable, critically needed source of talent and expertise for the country.

This program is intended to: (1) significantly increase women's contribution to economic growth; (2) strengthen women's rights groups and coalitions; (3) achieve a critical mass of women in government decision-making bodies; and (4) ensure that women have the leadership and management skills they need to be effective participants in every sector of society.

Further, in line with the U.S. National Action Plan on Women, Peace and Security, the United States will continue to coordinate with Afghan leaders and policy makers to ensure that the rights and concerns of women and girls and fully advanced through USG-funded programs and monitored accordingly.

This upcoming period of political, security and economic transition in 2014 is a critical point in time for maintaining and bolstering the advances made by Afghan women over the last ten years. Through multiple efforts both at the political, policy, and programmatic levels, and in coordination with the broader USG and international community, USAID will continue to help lead efforts within the USG and with our international partners to ensure gains made for Afghan women and girls are preserved.

Global Fund Fourth Replenishment / U.S. Leveraging

Question #3: I understand that the Global Fund's fourth replenishment is currently underway and will culminate in a pledging conference in the fall of 2013.

Historically, the U.S. has been the top donor to the Global Fund. We have also pushed important reforms that the Fund is now implementing.

In terms of leveraging contributions from other countries, how important is it for the U.S. government to make a multi-year commitment to the Fund?

Answer:

The President's FY 2014 budget, with a request of $1.65 billion, maintains our strong commitment to the Global Fund and recognizes the crucial role that the Fund plays in the success of global health programs. U.S. funding requests for the Global Fund beyond FY 2014 will depend in large part upon: (1) other donors matching the U.S. investment 2-to-1, so that no more than one-third of the total donations are from the United States; and (2) the Global Fund's continuing implementation of its ambitious reform agenda.

U.S. Global Health programs and Global Fund financed programs are, at an unprecedented extent, complementary and deeply intertwined. Better program coordination, decreased costs, and greater efficiencies between Global Fund and U.S. Global Health investments are helping to increase coverage of essential services and save more lives.

We are pleased with the Global Fund's progress in undertaking a needed reform process, which was spurred in part by the leadership of the United States. We are also excited by the potential of the new funding model to maximize the impact of Global Fund dollars and look forward to seeing the results of the reforms as they start to positively impact programs on the ground.

Millennium Development Goals

Question #4: The international community is in the process of establishing a post-2015 global development agenda to follow on the U.N. Millennium Development Goals established in 2000.

What role does USAID play in this international effort? How do U.S. assistance objectives and practices both coincide and conflict with those of other donors?

What value, if any, do you see in U.S. participation in a broader global development strategy that may not always be consistent with U.S. strategic interests?

Answer:

The MDGs represent a partnership between the developed and developing countries to create an environment – at the national and global levels alike – that is conducive to sustainable development and the elimination of poverty. The MDGs serve to build domestic and international support and marshal resources for development. They are a force for expressing a common vision and catalyzing action within the international community.

We believe the MDGs guide and unite donors and partners toward crucial goals, such as reducing poverty and hunger, improving health and education and combating major diseases. They inform, but do not bind, U.S. development strategy and our positions on best practices and policies.

The Administration's core objectives, articulated in the Presidential Policy Directive on Global Development, align with the MDGs and through the MDGs with the objectives of other donors. We see in the development of the post-2015 framework an opportunity to ensure that the global framework aligns with U.S. strategic interests and development policy.

USAID has provided development expertise to inform initial interagency consensus on key development topics in anticipation of an eventual United Nations negotiation on a new framework. USAID has also supported and participated in global consultations, both national and thematic, that have involved governments, civil society, global experts, and the poor themselves on an unprecedented scale to give voice to development challenges in the 21st century.

The Administration uses several means of harmonizing its policies and practices with other donors. Agencies meet regularly bilaterally with representatives of other donors; we participate in multi-donor and donor-recipient aimed at developing consensus; and we undergo peer review by the Development Assistance Committee of the Organisation for Economic Cooperation and Development (OECD-DAC) at approximately six-year intervals. We work to find a core of objectives and practices

around which we can converge, which still allows each donor the ability to meet national interests and practice requirements.

Questions for the Record Submitted to
USAID Administrator Dr. Rajiv Shah by
Representative Barbara Lee
Subcommittee on State, Foreign Operations
And Related Programs
House Appropriations Committee
USAID FY 2014 Budget Hearing
April 24, 2013

Whole-of-Government Approach to Global Health Diplomacy

Question #1: Secretary Clinton established the first-ever Diplomacy and Development Review, also known as the QDDR, which aimed to better coordinate diplomacy and development activities as part of a "smart power" approach to U.S. foreign policy—something I believe in wholeheartedly and have been working on for a very long time.

As you know, in this tight budget times, the need for interagency coordination between all agencies implementing global health programs has never been more important.

What is your view on the state of interagency coordination among USAID, State Department and other agencies in the whole-of-government approach to global health diplomacy?

What steps could you take or have you already taken to ensure effective coordination and integration with this new Office of Global Health Diplomacy?

Answer:

At Washington headquarters, leadership of USAID, CDC and PEPFAR continue to meet on a regular basis to discuss policy issues related to our collective work in the field. In addition, there are technical committees that address cross-cutting issues, such as monitoring and evaluation, which are structured around the comparative advantages of the three agencies to produce the greatest results. Over 40 USG-supported countries have written strategies for operationalizing the Global Health Initiative and in-country teams work together to achieve the goals outlined in these strategies. The Office of Global Health Diplomacy is being integrated into the interagency structure to provide diplomatic support toward the implementation of USG's global health policy.

Women and Girls in Afghanistan

Question #2: The situation for Afghan women is likely to be affected by any overarching political settlement within Afghanistan as well as by the U.S. drawdown between now and the end of 2014.

How can the United States protect the rights of Afghan women and girls, and safeguard the progress achieved thus far, after the U.S. troop withdrawal in 2014?

What is the role, if any, that USAID might play, either directly or in coordination with other actors?

Answer:

USAID is fully committed to ensuring that the progress made in women's rights and empowerment is an enduring legacy of our assistance to Afghanistan. Post 2014, USAID will continue to support and expand on these hard-fought gains by building upon past and existing programs to support the empowerment of women and girls in Afghanistan. While there is much more work to be done to support women and girls, significant achievements include:

- Today, more than eight million children are enrolled in schools, 35 percent of whom are girls, compared to 2001 when only 900,000 boys and almost no girls were enrolled in schools.
- Since 2008, nearly 120,000 girls have graduated from secondary school and an estimated 40,000 are enrolled in public and private universities.
- Between 2003 and 2010 life expectancy for women has increased from 45 to 62 years.
- The Afghan Constitution reserves 25 percent of seats in Parliament for women. Currently 69 (27.7%) women serve in Parliament.

The United States continues to prioritize promoting Afghan women's rights and opportunities to ensure that the positive gains made since 2001 continue to be strengthened. In 2011, USAID/Afghanistan implemented a Mission Order on Gender, which ensures all USAID programming takes into account gender through a gender analysis conducted during the project design phase. In 2012, Embassy Kabul also implemented the USAID Gender Equality and Female Empowerment Policy by requiring that gender equality and women's participation be integrated into all of USG policies and programs through transition and beyond. Implementation of the policy by USAID/Afghanistan also supports the goals set by the Afghan government's National Action Plan for the Women of Afghanistan (NAPWA).

The United States also continues to emphasize to Afghan government officials the importance of maintaining the gains and enforcement of basic human rights in health,

education, economic empowerment, security and access to justice, and political empowerment of Afghan women. USAID plays a leading role in implementing the USG's civilian strategy for assistance to women in Afghanistan in the areas of health, education, economic development, and stabilization and it plays a supporting role in implementing strategy in the areas of reintegration, access to justice and political empowerment.

In addition, USAID mandates gender analyses of all programs in order to ensure that current and future programming closes gaps and enhances women's participation and leadership. To date, more than 30 gender analyses have been conducted for USAID/Afghanistan projects in different sectors. For example, the Sustaining Tertiary Education Program – University Partnerships (STEP-UP) design was informed by gender analysis, resulting in strengthened requirements to achieve gender parity in all activities. STEP-UP will increase the pool of Afghan women who attain advanced education to achieve higher levels of income and assume positions of leadership in government and in the private sector. Higher education is necessary to advance gender parity and to increase the number of women in university leadership positions. STEP-UP supports the National Action Plan for the Women of Afghanistan. Technical assistance to the Afghan Ministry of Higher Education will enable it to complete the gender strategy begun with prior USAID support and will help enable its implementation.

Building on current and prior gender programming in Afghanistan, USAID is designing a new program intended to help cement and further gains for women through the upcoming political, security and economic transitions in 2014. The new program will be designed to provide opportunities to enable educated young women to enter and advance into mid-high level positions in all sectors of society – business, government, academia, non-profits, and even politics.

Through this program, USAID aims to directly benefit women within the targeted group of women between 18 and 30 years of age, who have at least a secondary education. The goal is to support activities that will be enhance their ability to advance into and remain in decision-making positions in Afghanistan's public, private and civil society sectors. These women represent an invaluable, critically needed source of talent and expertise for the country.

This program is intended to: (1) significantly increase women's contribution to economic growth; (2) strengthen women's rights groups and coalitions; (3) achieve a critical mass of women in government decision-making bodies; and (4) ensure that women have the leadership and management skills they need to be effective participants in every sector of society.

Further, in line with the U.S. National Action Plan on Women, Peace and Security, the United States will continue to coordinate with Afghan leaders and policy makers to ensure that the rights and concerns of women and girls and fully advanced through USG-funded programs and monitored accordingly.

This upcoming period of political, security and economic transition in 2014 is a critical point in time for maintaining and bolstering the advances made by Afghan women over the last ten years. Through multiple efforts both at the political, policy, and programmatic levels, and in coordination with the broader USG and international community, USAID will continue to help lead efforts within the USG and with our international partners to ensure gains made for Afghan women and girls are preserved.

Global Fund Fourth Replenishment / U.S. Leveraging

Question #3: I understand that the Global Fund's fourth replenishment is currently underway and will culminate in a pledging conference in the fall of 2013.

Historically, the U.S. has been the top donor to the Global Fund. We have also pushed important reforms that the Fund is now implementing.

In terms of leveraging contributions from other countries, how important is it for the U.S. government to make a multi-year commitment to the Fund?

Answer:

The President's FY 2014 budget, with a request of $1.65 billion, maintains our strong commitment to the Global Fund and recognizes the crucial role that the Fund plays in the success of global health programs. U.S. funding requests for the Global Fund beyond FY 2014 will depend in large part upon: (1) other donors matching the U.S. investment 2-to-1, so that no more than one-third of the total donations are from the United States; and (2) the Global Fund's continuing implementation of its ambitious reform agenda.

U.S. Global Health programs and Global Fund financed programs are, at an unprecedented extent, complementary and deeply intertwined. Better program coordination, decreased costs, and greater efficiencies between Global Fund and U.S. Global Health investments are helping to increase coverage of essential services and save more lives.

We are pleased with the Global Fund's progress in undertaking a needed reform process, which was spurred in part by the leadership of the United States. We are also excited by the potential of the new funding model to maximize the impact of Global Fund dollars and look forward to seeing the results of the reforms as they start to positively impact programs on the ground.

Millennium Development Goals

Question #4: The international community is in the process of establishing a post-2015 global development agenda to follow on the U.N. Millennium Development Goals established in 2000.

What role does USAID play in this international effort? How do U.S. assistance objectives and practices both coincide and conflict with those of other donors?

What value, if any, do you see in U.S. participation in a broader global development strategy that may not always be consistent with U.S. strategic interests?

Answer:

The MDGs represent a partnership between the developed and developing countries to create an environment – at the national and global levels alike – that is conducive to sustainable development and the elimination of poverty. The MDGs serve to build domestic and international support and marshal resources for development. They are a force for expressing a common vision and catalyzing action within the international community.

We believe the MDGs guide and unite donors and partners toward crucial goals, such as reducing poverty and hunger, improving health and education and combating major diseases. They inform, but do not bind, U.S. development strategy and our positions on best practices and policies.

The Administration's core objectives, articulated in the Presidential Policy Directive on Global Development, align with the MDGs and through the MDGs with the objectives of other donors. We see in the development of the post-2015 framework an opportunity to ensure that the global framework aligns with U.S. strategic interests and development policy.

USAID has provided development expertise to inform initial interagency consensus on key development topics in anticipation of an eventual United Nations negotiation on a new framework. USAID has also supported and participated in global consultations, both national and thematic, that have involved governments, civil society, global experts, and the poor themselves on an unprecedented scale to give voice to development challenges in the 21st century.

The Administration uses several means of harmonizing its policies and practices with other donors. Agencies meet regularly bilaterally with representatives of other donors; we participate in multi-donor and donor-recipient aimed at developing consensus; and we undergo peer review by the Development Assistance Committee of the Organisation for Economic Cooperation and Development (OECD-DAC) at approximately six-year intervals. We work to find a core of objectives and practices

around which we can converge, which still allows each donor the ability to meet national interests and practice requirements.

WEDNESDAY, APRIL 24, 2013.

U.S. DEPARTMENT OF THE TREASURY, INTERNATIONAL PROGRAMS

WITNESS

HON. JACOB LEW, SECRETARY, U.S. DEPARTMENT OF THE TREASURY

OPENING STATEMENT BY CHAIRWOMAN LOWEY

Ms. GRANGER. The Subcommittee on State, Foreign Operations, and Related Programs will come to order.

I would like to welcome Secretary Lew to his first hearing before this subcommittee.

Mr. Secretary, we thank you for appearing today to discuss the budget request for fiscal year 2014 for the Department of the Treasury's International Affairs Programs.

You will see that some Members, will be coming in and coming out. We are on a schedule that has to make many important hearings all happen at the same time, so they will do their best.

The funding the subcommittee will review today is for contributions to international financial institutions, such as the International Monetary Fund, the World Bank, as well as the debt relief and technical assistance programs. The budget request totals $2.9 billion, almost 15 percent above the fiscal year 2013 enacted level with sequestration factored in.

Since I became chair of the subcommittee, and even before that as ranking member, I have noted my concern about the rate of growth for these programs, which have more than doubled during this administration. I also continue to be concerned that the administration makes large, multiyear commitments and then turns to this Congress to fund them. We lose our credibility in the world when we can't live up to our promises.

I ask that while you are Secretary, you take a hard look at these multiyear commitments. I have heard the argument that sending funds through multilateral institutions gives the United States more bang for the buck, but I would ask you today to look at this the way I do. If these institutions were being held to the same standards as our bilateral programs, the bang-for-the-buck argument might be credible, but they are not. In fact, the funds are more difficult to track when they go through multilateral institutions rather than through bilateral assistance programs.

Now I would like to turn to the International Monetary Fund, the IMF. We need a better understanding and explanation of the President's fiscal year 2014 request. There is no appropriations language included in the budget documents, and we do not yet have enough information. All we know is that the administration wants $63 billion to increase the U.S. share in the IMF and to decrease

by an equal amount the U.S. share in the IMF's emergency lending arm.

Mr. Secretary, you are probably aware that congressional scoring rules don't allow us to use the emergency lending, called the New Arrangements to Borrow, as an offset since it was funded as an emergency appropriation in 2005.

Additionally, the IMF change is requested as a mandatory program. It is not clear who is being asked to address this issue, the authorizing committee or this committee. We would also appreciate more information about the need for IMF resources. In 2010, the U.S. agreed to allow emerging-market countries, such as Brazil, India, and China, to have a larger share of the IMF vote. I hope you will tell us today the impact of this change and what is planned for the future.

Mr. Secretary, the IMF is controversial within the Congress. It was not created to bail out industrialized nations that can't control their spending. And I can't speak for other Members, but it will be difficult for me to support the increased resources if this is what is envisioned for the IMF for the future.

Secretary Lew, thank you for being here.

And I will now turn to my ranking member and friend, Mrs. Lowey, for her opening statement.

OPENING STATEMENT BY MRS. LOWEY

Mrs. LOWEY. Thank you, Madam Chair.

Secretary Lew, I join Chairwoman Granger in welcoming you here today to discuss the President's request for the Treasury Department's international programs. We worked closely together while you were at the State Department, and I want to congratulate you on your new position. We are fortunate to have a person of your talent, your caliber, your commitment in public service.

The President's 2014 budget request is a testament to the importance of multilateral cooperation and the interconnectedness of the world economy. I support multilateral engagement either through NATO, specialized agencies of the U.N., such as IAEA, or the various international financial institutions that fall under your purview.

I believe that multilateral cooperation is a dollar multiplier, leveraging the taxpayers' investment. A great example of this is your department's work on terrorist financing, which has provided an excellent return on our taxpayer dollars.

The multilateral development banks reflect our fundamental values and support our economic interests by lowering trade and investment barriers, supporting private-sector growth and entrepreneurship, opening the markets of tomorrow, and giving individuals an opportunity to succeed. They are vital components in protecting our national security interests by both alleviating suffering in countries in economic distress and playing a pivotal role in helping countries build their own trade capacity, strengthen their financial institutions, and become reliable economic partners.

Today, I hope you will discuss how our support of international financial institutions like the World Bank and the IMF are important to stabilizing economies in trouble, as well as our own nation's economic recovery and job creation.

There are many who question the IMF's lending practices. Specifically, it would be helpful to hear about the role the IMF has played in resolving financial crises and helping overcome challenges that put U.S. growth at risk.

Further, I would also be interested to hear more about the Administration's recent request to reform our participation in the IMF.

We would also appreciate your insight on IMF discussions with Egypt, including whether an IMF agreement with Egypt will happen and how long the Egyptian economy can survive without one.

In addition, in the last couple of years, the Congress has reinforced important reforms and accountability commitments for each of the international financial institutions, and I hope you will address progress on these reforms.

The World Bank is also considering changes to environment and social safeguards by undertaking a multiyear safeguard policy review. This is important to ensure our development assistance investments do not cause harm to local communities and as global environmental conservation becomes increasingly important. So I would be interested in your comments on the safeguards review process.

Finally, we continue to face a growing threat from Iran's pursuit of a nuclear weapon. Please update us on your efforts to implement tough sanctions on the Iranian economy as well as the Administration's efforts through multilateral institutions to isolate Iran and make clear that the only way back into the international financial system is through giving up the quest for a nuclear weapon.

Thank you for being with us today. I look forward to your testimony.

Ms. GRANGER. Thank you.

Ms. GRANGER. Secretary Lew, as we spoke yesterday, your full written statement will be placed in the record, so please feel free to summarize your statement.

OPENING STATEMENT BY SECRETARY LEW

Secretary LEW. Thank you very much, Chairwoman Granger, Ranking Member Lowey. It is a pleasure to be back before this committee in a new role. I had a good working relationship with this committee when I worked on bilateral assistance at the State Department, and I very much look forward to developing that relationship with my new responsibilities in the multilateral area.

It is a pleasure to be here today to discuss the President's budget request for international programs.

This year's foreign assistance budget represents ¼ of 1 percent of the administration's discretionary request. It is mostly made up of previously authorized commitments for multilateral bank capital increases and replenishments. And thanks to your bipartisan support, our leadership in those institutions remains strong.

In this request, we are seeking congressional approval of the IMF quota and governance reforms. This request is critical to protect and promote our economic and strategic interests. It increases the IMF's core quota resources and reduces U.S. participation in the IMF's new arrangements to borrow by an equivalent amount, pre-

serving our veto without any new financial cost. This quota reform is a win-win for the United States.

I have spent much of my professional life making tough budget choices, and I can say without reservation that we must continue to invest in the IMF. The investment is safe, it is sensible, and it is secure. The IMF's balance sheet is rock-solid.

As the President has said, our highest priority is to strengthen our recovery and create jobs. And our investments in the IMF and the multilateral development banks go hand-in-hand with that objective. Investments in these institutions are one of the most cost-effective ways to drive our economic growth while also increasing our national security and promoting our values and interests around the globe, particularly at a time of constrained resources.

I would like to explain briefly how our support helps achieve each of these three things.

Since the end of World War II, whenever there has been an international crisis that has threatened the U.S. economy, the International Monetary Fund has acted as the first responder. And because our prosperity at home is linked to stability and growth abroad, the U.S. benefits by the IMF actions. Without the IMF, financial stresses in one country would be more likely to spill over, and the U.S. economy would suffer through a reduced demand for U.S. exports and lower foreign investment in the United States. And that would threaten millions of jobs.

We have seen how important the IMF is to our economy most recently with the financial crisis that has gripped the euro area. The IMF has been working closely with leaders across Europe, and because of the Fund's involvement, the euro area has built a strong firewall and taken the necessary steps to prevent contagion.

Similarly, the multilateral development banks have helped spur our economic growth around the world. Their work to build ports, roads, and waterways, lift trade barriers, and ignite private-sector development has helped unlock key export markets for U.S. businesses. In countries like South Korea and India, we have seen how MDB programs have led to rapid increases in demand for American exports.

These institutions are also part of America's national security framework. As U.S. military leaders have explained, the multilateral financial institutions can help prevent future conflicts. In fact, their work on the ground alleviates the kind of economic conditions that breed instability, extremism, and violence.

Right now, the IMF and the World Bank are providing financial support and policy advice to help new democracies succeed in the Middle East. Avoiding a financial crisis during this delicate period of political transition will help countries avoid destabilizing political upheavals.

In frontline states like Afghanistan, the World Bank and the Asia Development Bank not only are supporting critical infrastructure projects but also vital improvements in primary education. In Haiti, a country still recovering from a devastating earthquake, the IMF recently acted on our request and eliminated Haiti's entire outstanding debt to the Fund.

Finally, investments in the multilateral institutions are a way for the United States to amplify our resources and influence. With

just a 5 percent share of the Function 150, under $3 billion, Treasury's international development investments will make possible nearly $100 billion in MDB commitments in 2014 alone. This support will reach urban slums, rural villages, and small cities around the world and will allow the U.S. to promote our values and leadership on issues as important as global health, the environment, equality for women, and hunger.

The Global Agriculture and Food Security Program is a good example of how these institutions multiply the impact of our investments. The program is combating the serious problem of food security by helping struggling farmers increase their productivity. This is an important issue for the United States, and our contributions will be matched two for one. The program has already awarded more than $700 million in 18 countries.

Before I close, I would like to thank this committee for the bipartisan support that you have given to our foreign assistance budget. These funds allow us to leverage our limited resources in service of our economic and national security interests. And given the pressures all of us are under to do more with less, this is something we cannot take for granted.

I thank you and look forward to answering your questions.

Ms. GRANGER. Thank you very much.

[The information follows:]

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Written Testimony before the House Committee on Appropriations Subcommittee on State, Foreign Operations, and Related Programs on the Fiscal Year 2014 International Programs Budget Request
Treasury Secretary Jacob J. Lew
April 24, 2013

Introduction

Chairwoman Granger, Ranking Member Lowey, and Members of the Committee, thank you for the opportunity to discuss the President's Fiscal Year 2014 Budget Request for the Department of the Treasury's International Programs.

With your bipartisan support, U.S. leadership today in the multilateral development banks (MDBs) remains strong. Investments in multilateral institutions are a cost-effective way to promote our national security, support the next generation of export markets, and address key global challenges such as environmental degradation and food insecurity, while fostering private sector development and entrepreneurship.

The United States economy has made substantial progress toward recovering from the worst financial crisis since the Great Depression. But more must be done to help create jobs and accelerate growth. At the same time, we have more work to do to get our fiscal house in order.

The President has put forward a balanced plan to confront our economic and fiscal challenges, and our support for the international financial institutions goes hand in hand with that comprehensive strategy. For one, investments in these institutions will help create jobs and strengthen businesses in the United States because the International Monetary Fund and the multilateral development banks support a strong and vibrant global economy. They do this by opening up markets and creating a level playing field for American businesses. At the same time, our investments in the international financial institutions come at a low cost to taxpayers and are consistent with the President's plan to reduce our deficits. The fact is, support for the international financial institutions is one of the most cost-effective ways to confront our economic challenges at a time of constrained resources.

Our request in FY2014 of $2.9 billion primarily includes previously authorized multi-year MDB commitments for capital increases and replenishments, and it is largely based on bipartisan actions taken by members of this committee and Congress.

Our new request seeks Congressional approval of the IMF quota and governance reform. At the Seoul Summit in 2010, we secured U.S. objectives for the reform: preserving the U.S. veto without increasing the U.S. commitment to the IMF by one new dollar. We are seeking legislation that represents no new financial commitment to the IMF but rather an increase in the U.S. quota and an equivalent decrease in the U.S. participation in the NAB. This legislation will also allow us to accept an amendment to the IMF Articles of Agreement facilitating changes in the composition of the IMF Executive Board that preserves the U.S. board seat. These actions

are necessary to maintain strong U.S. leadership and influence in the IMF, and to restore the IMF's core capital structure.

As someone who cares deeply about the sound management of America's public finances, I strongly support continued U.S. investment in the IMF. Our investment is safe and smart, and it is secured by the IMF's rock solid balance sheet in which total assets exceed total credit outstanding.

When we provide resources to the IMF, the United States simultaneously receives an equal, offsetting claim in the form of an increase in the U.S. reserve position in the IMF. The U.S. reserve position is an interest-bearing and liquid asset, held as part of U.S. international reserves and available to the United States on demand.

Let me elaborate on how stronger U.S. leadership in the international financial institutions is vital for America.

Protecting our recovery and promoting our economic interests

The IMF, the World Bank, and the regional development banks are important tools for advancing the U.S. economic agenda through the preservation of global financial stability and the opening and expansion of emerging markets.

Since the end of World War II, whenever there has been an international crisis that has threatened the U.S. economy, the IMF has acted as the first responder. The IMF helped Europe and Japan achieve sustained growth in the post-war period. It helped the United Kingdom and Italy overcome their crises in the 1970s; Latin America resolve its debt crisis of the 1980s; Eastern Europe and the former Soviet Union rebuild their economies in the 1990s; and was central to the response to the Asian and emerging market crisis in the late 1990s and early 2000s. Since 2008, the IMF has played a forceful role in helping mitigate the impact of the global crisis on its member countries and prevent contagion.

These actions abroad help us here at home. When financial instability occurs in many places around the globe, such as in Europe, it creates headwinds for our economy. For example, external instability can result in volatility in U.S. financial markets, hurting American household savings and 401K retirement accounts. Without IMF support, more countries would experience even larger financial stresses, and the U.S. economy would suffer through reduced demand for U.S. exports and lower foreign investment in the United States, threatening millions of jobs. U.S. exports account for 14 percent of U.S. GDP, and American export industries provide more than 10 million jobs to American workers. Foreign Direct Investment supports 2 million manufacturing jobs, and over the last 10 years, majority-owned U.S. affiliates of foreign companies have employed between 5-6 million workers.

U.S. influence—bilaterally and leveraged through the IMF--was critical in encouraging Europe to build a firewall and deliver the lion's share of the financing to stabilize the euro area crisis.

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Congress provided critical leadership at the height of the global crisis in 2009 by approving the Administration's request for an increase in U.S. participation in the New Arrangements to Borrow (NAB) which enabled the United States to leverage an additional $400 billion for the NAB from other countries. Even at a reduced size, the NAB will continue to be an important crisis backstop for the Fund when quotas get low.

Complementing the IMF's work, the MDBs are focused on long-term, sustainable development and poverty reduction. Since the institutions were created, the MDBs have helped nurture emerging economies that have become key export markets for the United States. MDB financing and policy assistance have reduced trade barriers, improved private sector development, increased educational access, built infrastructure, and promoted open markets. In countries like South Korea and India, we have seen how MDB engagement helped lay the groundwork for the sustainable and inclusive growth that has driven rapid increases in U.S. exports. Thanks to bipartisan support for the General Capital Increases and replenishments, U.S. leadership at the World Bank and regional development banks is strong, and these institutions are making vital investments, and promoting key reforms to strengthen global growth.

The MDBs are also leaders in global standard setting. They have strong social and environmental safeguards, which we are committed to protecting and updating. They help foster a more level playing field for firms competing for MDB business opportunities by requiring the use of fair and transparent procurement rules. They promote policy reforms to create more business-friendly environments, including global benchmarking or rating through the World Bank "*Doing Business*" rankings.

Strengthening our national security

Both the IMF and the MDBs are important partners as we seek to strengthen our national security in a fast-changing world. These institutions amplify U.S. strategic interests and their work on the ground helps prevent and mitigate the economic conditions that foster instability, extremism, and violence. They are leaders in promoting fiscal reform, job creation, and economic growth in fragile and conflict-affected states, which are home to approximately 1.5 billion people.

The IMF is now working to help bring about economic stability in the Middle East – in Egypt, Jordan, Morocco, Tunisia, and Yemen – by providing critical policy advice and financial support to help secure the political gains of the Arab Spring. Avoiding a financial crisis during this delicate period of political transition will help these countries avoid more destabilizing political upheavals. The World Bank and the African Development Bank are helping Jordan reduce energy subsidies and find more effective ways to support the poorest population. They are also pioneering new ways to promote job creation for young women in the private sector.

The United States has been pushing for enhanced IMF support of low income countries; all this support has come at no cost to the UnitedStates. We persuaded the IMF to use the $3.8 billion it earned in windfall profits from gold sales to support projects in the world's poorest countries. In 2009, the IMF agreed to more than double the resources available to low income countries by as

much as $17 billion through 2014, and just recently, with strong U.S. backing, the IMF extended zero percent interest rates for all concessional lending another two years through 2014. And in response to U.S. requests, the IMF eliminated Haiti's entire outstanding debt to the Fund following its devastating earthquake. The United States has also forcefully advocated for the IMF to protect and support spending for poor people in its low income country lending arrangements.

U.S. military leaders have consistently praised the MDBs for containing emerging threats by alleviating poverty and spurring broad-based, private-sector led economic growth. In frontline states like Afghanistan, the World Bank and the Asian Development Bank have helped support not only critical large infrastructure projects but also vital improvements in areas like primary education. For example, MDB assistance has led to a dramatic rise in school enrollment, with the number of students enrolled in school growing from fewer than 1 million in 2001 to 7.1 million today. For girls, the increase has gone from fewer than 200,000 to 2.7 million. Closer to home, the Inter-American Development Bank (IDB) is supporting important work on security and safety for citizens in Central America. In El Salvador, for instance, a loan from the IDB will support a youth violence prevention program that will benefit roughly 10,000 young adults in 30 municipalities.

Successful development also depends on good governance and a well-functioning state. For the last 20 years, Treasury's Office of Technical Assistance (OTA) has provided advice and training to government officials in developing countries so they can build effective public financial institutions. OTA helps countries improve government operations across several areas, including planning and executing budgets, managing debt, collecting revenue, developing sound banking systems, and combating corruption. Right now, OTA is working in Latin America, Africa, and Asia, and it is offering services in countries that are recovering from war and economic disasters, including Iraq, Afghanistan, Pakistan, and Haiti.

Leveraging our leadership for greater impact and reforms

At a time when government must do more with less, Treasury is determined to use our resources as efficiently as possible. The multilateral institutions are highly effective at multiplying the impact of taxpayer dollars. With just a five percent share of the Function 150 under $3 billion, Treasury's international development investments will make possible nearly $100 billion in MDB commitments in 2014 alone. This support will reach poor people in urban slums, rural villages, and small cities around the world. When it comes to global challenges such as food security, the environment, gender imbalances, and historic changes in the Middle East, we continue to demonstrate how much the world depends on strong U.S. leadership to confront these issues.

On food security, the Global Agriculture and Food Security Program has made significant progress to combat the problem in a short time. It has mobilized more than $1.2 billion in pledges and contributions from nine governments and the Bill and Melinda Gates Foundation. It is a compelling example of how the United States can internationalize the burden of dealing with pressing global problems. Our contributions will be matched two for one. Already, the fund has awarded nearly $700 million in investments in 18 countries, and in many cases, countries

receiving these funds are putting their own resources into use to support programs that generate innovative and enduring increases in agricultural productivity.

On environmental challenges, U.S. investments in the Clean Technology Fund and other environmental trust funds play an important economic role. Treasury's programs help create open, fair, and well-functioning markets for technologies such as wind, solar, and geothermal energy in which American businesses can compete and win. Here, too, our contributions bring in other donors – between $4 and $5 for every $1 that the U.S. contributes. These programs also help to spur additional investments by the MDBs, government, and private sector investors, making the U.S. contribution go even further

For women, opportunities still lag behind men in too many areas—including getting an education, finding a job, and running for elected office. Yet the facts are clear: limiting the potential of women will limit a country's economic growth. No society can reach its full productive potential if half the population does not have full education and employment opportunities. Empirical studies have shown that, within the household, women invest more in their children—in the health and education of future generations. The MDBs are working to lift obstacles for women by ensuring programs will be designed to explicitly support women and girls when possible.

Working alongside our G-8 and Gulf partners, we have started a new fund based at the World Bank to provide technical assistance to support reforms in the Arab transition economies. These reforms include improving service delivery, increasing government transparency, establishing the fair rule of law, and reducing subsidies. And they are necessary for countries to build a more inclusive economy and a democratic state.

Treasury has always used its support of the international institutions to foster change. For this reason, before making new commitments to the MDBs, Treasury consults with Congress, NGO, labor and business stakeholders on reforms to improve financial effectiveness, promote a fair playing field across the world, increase transparency, open procurement and enhance the impact of our investments.

Over the last year, Treasury has continued to push the MDBs to implement reforms. At the urging of the U.S., all of the institutions are taking a much more prudent approach to major budgetary and financial management. Decisions affecting long-term financial viability are now being thoroughly evaluated and the necessary trade-offs are being considered. In addition, the MDBs have continued to implement new disclosure policies, providing more access than ever before to policies, decisions, and operations. This level of transparency increases accountability and improves outcomes. Finally, each of the MDBs has independent offices that objectively evaluate performance and effectiveness. These assessments, which are made public, give both the institutions and those who support the institutions the kind of information that improves operations and increases results.

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Acting now to safeguard our leadership

Just as Congress is acting to preserve our leadership at the MDBs by supporting General Capital Increases, we must do the same for the IMF.

At the end of 2010, G-20 Leaders and the IMF membership committed to implement the quota and governance reforms by October 2012. The vast majority of the IMF membership has now acted, and only U.S. approval is necessary for these important reforms to go into effect. As emerging economies play a bigger role in these international financial institutions and seek greater influence, it is critical that the U.S. maintains its strong position of leadership.
It is important to bear in mind that the U.S. is the only country with a veto, allowing us to shape major IMF governance and resource decisions.

The IMF reforms are a win-win for the United States. Honoring our commitments will preserve our leadership position and veto power, and allow us to continue to promote U.S. values and interests around the world without any new U.S. financial commitment to the IMF.

Similarly, meeting our commitments to the MDBs is a cornerstone of U.S. credibility and leadership. The partnership we have with the multilateral development banks has endured across years and across parties because these institutions have continually proven their worth. They are vital for addressing the challenges of the moment and will be integral for responding to dangers that lie beyond the horizon. These institutions provide unparalleled returns: for capital increases once every 15 to 20 years, the MDBs stretch the impact of our dollars around the world, toward every global challenge, and through time. No other institutions so effectively leverage our limited resources in service of our national and global interests, and given the pressure all of us are under to do more with less, this is something we cannot take for granted.

Ms. GRANGER. I am going to start with what I see as the most puzzling, and that is the IMF. And I understand what you said was what the IMF does, but I would like some details. Particularly, let's start with—just explain the request. Why is it listed as a mandatory program?

And should we believe that since the administration requested the funding this way, isn't this an issue that the authorizers can address without the action from the appropriators?

Secretary LEW. Congresswoman, our policy is that we need to meet our commitment to the IMF. We need to swap the New Arrangements to Borrow funds and make the commitment in the IMF core fund.

At the end of the year, when there was a possibility of doing something under an appropriations bill, we suggested using an appropriations approach. In our budget, which was constructed with an eye toward a broader budget agreement, we made it clear it could be done in a budget agreement as a mandatory. We are not pushing one approach over another. We are looking forward to working with you and with the Congress generally to get it done, because the failure to get it done would put in jeopardy our veto at the IMF.

I just came back from the spring meetings—well, I feel like I came back. They were here in Washington, but it felt like being in another country. And I can't tell you how many times this issue came up. There are other countries that would be happy to increase their quotas and eliminate the United States veto.

So I think it is a matter of real urgency that we have this reform ratified. We are the last holdout, in the sense that our ratification is what stands in the way of the IMF reforms going into effect. And I would very much look forward to working with you and this committee to try and get that done.

Ms. GRANGER. Good.

The request to increase the quota has been called a voting reform, and that is what you were just referring to. However, there is really no actual reforms that are being made that we see. Only China and other emerging-market countries will have a larger vote on the IMF and the programs and the policy.

So tell me how this improves the IMF. You said, the way I understand it, then we could lose our waiver. So I see that helps us, but how does it help the IMF? And what is the interest—tell me how important it is and why it is so important to participate.

Secretary LEW. Well, the IMF reflects the changing world. The role of different countries is evolving as they grow, as they emerge from developing countries to developed countries. The challenge for the United States is, amidst that change, how to go through a reform process at the IMF, where there is some shifting within the IMF in terms of what shares are, while preserving the U.S. veto, which is key to our ability to have the kind of influence that we have historically had since the creation of the IMF.

I would say these are reforms because it does reallocate shares, but it does not reduce the U.S. share in a way that undermines our ability to have the controlling voice. I think that is a hugely important thing for the United States because there are occasions when we have a different view, and I think this committee would like for

us to be able to use our different view to drive the outcome in IMF decision-making, which we couldn't do if we didn't have the veto.

Ms. GRANGER. The European Union has resources that, through its stability funds, that really pale in comparison to most of those at the IMF. And why is Europe still the biggest borrower from the IMF? And do you see that continuing?

Secretary LEW. Well, I think if you look at the last few years, there has been an unusual amount of activity in Europe because of the eurozone crisis. When we went through the financial crisis in 2008 and 2009, the IMF was really at the front line of preventing a further meltdown of our global financial system.

We are constantly aware of the fact that Europe is the largest export market that the United States has. So what we do to preserve some underpinnings of financial security as Europe goes through this, transition from the crisis to the future, is very important for U.S. manufacturers, for U.S. exporters. It would not be good for the United States if there were a further worsening.

IMF standards in intervening are very high. They do not get into a package unless there is a serious set of commitments made. And the IMF always gets, repaid when it goes into these arrangements. Sometimes what the IMF insists on is tough medicine. We have seen it just recently in Cyprus.

I think that the ability for the U.S. to rely on the eurozone as an ongoing purchaser of U.S. goods and services is very important to the U.S. economy. So I would argue that our involvement in Europe through the IMF is an appropriate way to make sure that we are doing the best thing for the United States. I would hate for us to have to do it on a bilateral basis, and we don't have to do it on a bilateral basis.

Ms. GRANGER. Their strong restrictions, isn't that one of the things that is holding up the IMF loan to Egypt?

Secretary LEW. As you know, Egypt is a very difficult negotiation. I think it is very important for Egypt, it is very important for the region, it is very important for the world that Egypt find a path toward economic and political stability. What the IMF is seeking in Egypt is the kind of commitments that will be reliable, that would give the IMF the ability to know that the loans could be repaid. So there is a very difficult discussion about their revenue base.

It is a very difficult political moment in Egypt. I am very conscious of how hard it is in any society to raise revenues. But they have to do something on subsidies and they have to do something on revenues if they are going to have an economically sustainable economy. And the IMF is pushing hard toward it.

There are some signs of progress. From my perspective, in terms of what is in the United States' best interests, it would be very much in the U.S.'s best interests for Egypt to be on a more sustainable course. And I think the IMF is pushing very hard in that direction.

Ms. GRANGER. Thank you.

And I just have one last question. The press in Europe last year reported that the U.S. Federal Reserve may make loans to the IMF and bypass the Congress. I am asking you, is that possible? Is it possible? Is it legal to do that?

Secretary LEW. I am not aware of that. I would have to look into that.

Ms. GRANGER. Okay. We will hope it was just a rumor.

Mrs. Lowey.

Mrs. LOWEY. Thank you.

SANCTIONS ON IRAN

I have talked to you before about the skill of Stuart Levey and David Cohen. And I want to thank you again for their very important work with regard to sanctions on Iran targeting the nuclear program.

As a result of these sanctions and steps taken by our international partners, particularly the EU, Iran is facing an unprecedented level of pressure to abandon its pursuit of nuclear weapons. In fact, today in the New York Times there is an article about Iranians rushing to supermarkets to buy "cooking oil, red meat, other staples on Tuesday, stockpiling the goods over new fears of price spikes from a change in the official exchange rate, a combination of severe Western sanctions and what many call the government's economic mismanagement." So we know those sanctions are tightening, and the impact is clear.

I would like to follow up with a couple of questions regarding that. As you know, I am committed to imposing tough sanctions, both bilateral and multilateral, to isolate Iran and stop its nuclear program in its tracks. While sanctions seem to be having an impact on the Iranian economy, I would be interested in your views as to whether you see any evidence that the regime is seriously interested in ending or even delaying its nuclear program.

What indications do we have of the economic impact of the latest round of sanctions? Have these sanctions had an impact on the internal politics of Iran? In what other ways is the administration planning to increase pressure on Iran? Additional economic sanctions? And if the current sanctions fail to stop Iran from moving ahead with trying to build a nuclear weapon, what more can the U.S. do?

Last year, we raised concerns about World Bank loans to Iran. I have recently been made aware—frankly, I was quite surprised—of agreements with the GEF, Global Environment Facility, and with their arrangement with Iran. Can you tell us what you have done to ensure that all the international financial institutions comply with United Nations sanctions on Iran? You could also talk in that context about the multilateral bank loans to Iran.

What are you doing to prevent any further loans? Because on the one hand, we keep tightening sanctions; on the other, I read or hear about other ways we are supporting Iran.

Thank you.

Secretary LEW. Congresswoman, I cannot emphasize strongly enough how important we believe sanctions are. This administration has pursued the toughest sanctions in history against Iran. It has worked with the nations of the world for an unprecedented degree of unity in standing up to Iran and sending a very clear message that Iran has to change its policy on nuclear weapons development.

And the President has made clear he is pursuing sanctions, hoping that sanctions will work, hoping that negotiations will be possible, but taking no options off the table. So he has made it clear that he finds it unacceptable, our country finds it unacceptable, for Iran to develop nuclear weapons.

Now, sanctions do not automatically change a policy. What sanctions, as you know well, can do is put the pressure on a country so that the political system is operating under the influence of constrained choices. I think the sanctions are working because you see it in Iran's GDP, in their unemployment rate, in their exchange rate, in the difficulty they have moving oil. In every important measure, we can see that the sanctions are working.

I can't sit here today and tell you that the sanctions have changed Iran's decision. On the other hand, I don't think we know yet, because Iran is not going to tell us until the very end what they are willing to do. So I think we have to pursue the sanctions with the confidence that the sanctions are doing what sanctions can do. The sanctions are putting the maximum pressure on the Iranian regime, and we are going to have to pursue through diplomacy and other public and private communications keeping that pressure on.

I sincerely hope that the sanctions work, because all other options, mean choices that are not good choices, but Iran should have no illusions. The President was serious when he said that his policy is not a policy of containment; it is a policy that Iran cannot have nuclear weapons.

I would say that, in the implementation of sanctions, we are working effectively with other nations of the world to make them work. I just came back from meetings in Europe where I raised TARGET2 issues with a lot of the finance ministers and central bank governors that I met with. That is an area where we agree with them on policy. Administratively, there may be some leakage, and at the highest level we have it on their radar. They have to fix their systems. It is not enough to make policy; it has to work.

We are going to spare no effort in implementing and enforcing the sanctions. And we have just kicked into the next round of sanctions, which says that when Iran sells oil to a country, the money can't go back to Iran. It gets, stuck in a country. So that limits their ability to get foreign currency. So, we are pursuing every angle that you can through sanctions.

In terms of the international financial institutions, the World Bank has not made any loans to Iran since 2005. And the United States has made clear that it objects to and will object to any lending. So that issue is resolved.

On the Global Environment Facility, it is not a World Bank program. It has a different governance structure. It has taken longer to get it under control. It is now in a place where we have been assured that no more commitments will be made to Iran, and, in fact, the last commitment that was made will not be paid.

Mrs. LOWEY. Thank you.

I wanted to follow up on the IMF and Egypt. As we know, Qatar just recently gave them $2 billion. What impact does that have on the IMF negotiations? Is the IMF still negotiating, or Egypt saying, well, we don't need it anymore?

Secretary LEW. No, I think Egypt still needs a package. The Emir of Qatar is in Washington. I met with him yesterday. They very much see a need still for an IMF package. It is a bridge. It gets them up some time. But they need a plan that will get them beyond, month to month.

Obviously, they would be in a stronger position if they were beyond their elections. But, the IMF is pushing hard, even in this time frame, and there have been some signs of progress. I have seen signs of progress that haven't come to fruition, so I don't want to count on them yet.

But I know that there is still a very serious engagement between the IMF and Egypt. And it is in Egypt's own interest. This is not something that the world is imposing on Egypt. This is something that Egypt needs to do in order for it to have the economic future that the people of Egypt want. Brave young men and women of Egypt risked their lives to fight for a better future. This transition will determine whether or not they get it.

Mrs. LOWEY. What is so tragic, in closing, for those of us who have been to Egypt many times, visiting Luxor, which is just so extraordinary, and just the pyramids, if they could bring some stabilization as a result of the elections, we hope that they can help themselves, frankly, with less help from the international institutions.

Thank you, Madam Chair.

Ms. GRANGER. Thank you.

I will call on Members based on seniority of those present when the hearing was called to order.

I want to remind Members that you have 5 minutes for your questions, and Secretary Lew's responses are included in that 5 minutes. So hopefully they will be good and you will be good. If time permits, we will have a second round of questions because I know people are very interested.

I will now call on Mr. Crenshaw.

Mr. CRENSHAW. Thank you, Madam Chairman.

And welcome, Mr. Secretary. Congratulations on your new job. And I know you have a broad range of responsibility, so we wish you well.

Secretary LEW. Thank you.

Mr. CRENSHAW. Just to follow up on Ms. Lowey, I noticed James Clapper testified before the Senate Armed Services Committee last week, and he said, yes, the sanctions are having a dramatic impact on Iran's economy, but it really hadn't induced any change. And I think you pointed out maybe time will tell.

Specifically, I have a broader question, but could you comment on whether you agree with him that the sanctions have really impacted in a dramatic way the economy but really haven't changed their policy?

And, number two, you talked to them about the sanctions. Are there any additional sanctions that you all are thinking about?

But hold that, because here is a broader question, and it has to do with what you said in your opening statement; that is, that you have to make tough budget choices. And I wanted to ask you about the Office of Terrorism and Financial Intelligence. That is one office under the Treasury, and their job is to keep the financial insti-

tutions from being involved in criminal activities, and, also, maybe more importantly in today's world is to use our financial institutions to help stop some of these international threats. And international threats seem to be on the increase rather than the decrease.

And I noticed in the overall request, the Department asked for, I think, $1 billion more, but in this one office there is actually a reduction. And I question the wisdom of that decision. If that is the one office that really helps deal with international threats, why are we reducing that?

Because you have to make tough choices; you just said that. And you have to set priorities, and you have to make those kind of hard choices. But it just seems to me, if the number-one responsibility of the Federal Government is to protect American lives—and this is an office that can freeze narcotrafficking funds down in South America, and can deal with weapons of mass destruction. This office deals with the Iranian sanctions—and isn't that more important than a lot of other functions that are in the offices, recognizing those are all difficult decisions?

Secretary LEW. Congressman, I think the sanctions are having an impact. I think the sanctions are doing what sanctions can do. I don't think sanctions automatically throw a switch. What they do is they put pressure on a government, and then the government has to change its position.

I think it is premature to know whether the sanctions will work in the second regard, because we are still in negotiations, and the Iranians have a history of not making moves early in negotiations. So the fact that we haven't seen the change doesn't mean that we won't see the change. We have a bit more time to pursue the diplomatic path, and we are going to push as hard as we can.

So I certainly hope to be able to come to this committee and say that, they have succeeded both in the mechanical way that sanctions can hurt an economy—and we have seen that in all the measures of the Iranian economy—and I hope that we can also say that it has worked to change the direction of the government. But time will tell on that.

In terms of the office of Terrorism and Financial Intelligence, it is an outstanding office. It is one of the things that changed in government during my time out of government. I have been working with TFI now in four different capacities in this administration, from the State Department, the Office of Management and Budget, as Chief of Staff, and now as Secretary of the Treasury. I am proud to have TFI as part of the Department where I work. You know, Stuart Levey did an outstanding job, and David Cohen does an outstanding job. They have a dedicated staff. They work very hard.

In a world of unbounded resources, I could make a case for more resources for a lot of things in the Treasury Department. In a world of tight resources, the budget reflected the growth pattern of TFI. The fact that investments have been made in recent years to build up a growing office and the tradeoff on the margin was reflected in our budget request. It in no way reflects a lessening of commitment to TFI or of the importance of what TFI does.

I can tell you that, for myself as Secretary, I don't think a day goes by when I don't have an interaction of significance with TFI,

because we are at a moment in history where the work that TFI does is central to our national security and the future of this country.

Mr. CRENSHAW. And I appreciate that. It just seems to me that with all the domestic violence that is going on in front of us and the international threats that are on-going, we need to look at that. And, again, appreciate the decisions you have to make, but it seems to me that has to be one of the most important functions that the Treasury—and you have a lot of them—but that is awfully important, in terms of dealing with those international threats.

Secretary LEW. And we agree on that. And we look forward to working with you on a funding level for TFI that gives it the resources it needs.

Mr. CRENSHAW. Thank you very much.

Thank you.

Ms. GRANGER. Ms. Wasserman Schultz.

Ms. WASSERMAN SCHULTZ. Thank you, Madam Chair.

Mr. Secretary, it is good to see you.

I want to ask you a little bit more of a granular question than Mr. Crenshaw did. Just yesterday, Treasury designated Hezbollah as an international drug cartel. Along those lines, obviously we have deep concerns about their financial activities. And the administration is trying to get at them and close every possible gap to prevent them from being able to have the broad reach that they have and that we have been trying to narrow.

So, two questions related to this: Can you briefly explain how yesterday's announcement fits into Treasury's larger strategy of sanctions against Hezbollah and these kinds of actors in general? Is this a new approach in the region? Also, I want to ask you about our desire to have the EU designate Hezbollah as a terrorist organization.

Secretary LEW. Congresswoman, the thing that was new yesterday was that a policy that we had announced a long time ago led to an investigation that culminated in the 311 action. It is hard work to follow the leads and to make the determinations and then to ultimately bring an action, and yesterday was a day when the policy that we have committed to proved its effectiveness.

We will continue to follow leads as they develop, and when there are actions like that, it is not a new policy; it is really showing that the policy that we have embarked on is working.

As you know, the EU has not designated Hezbollah. There are countries in Europe that have; the United Kingdom has, the Netherlands has. We strongly encourage our European friends to designate and will continue to do so.

I think if you look at sanctions regimes, Iran is the case with the most international unity, where we have literally the entire world, and the U.N. with us including Russia and China. In Syria, we have not had the same degree of unity, and we are working with a large number of countries, not with China and Russia. And Hezbollah, we have more of an uphill battle. There is a split in the eurozone on whether or not to designate. We think it is a mistake, in terms of their own security. They should know that from the bombing in Bulgaria. We have made this point, and we will continue to make the point.

But we will take our unilateral sanctions and use them as aggressively and as effectively as we can, because Hezbollah is a threat to the United States, the region, and the world.

Ms. WASSERMAN SCHULTZ. What kind of an impact do you think it would have if the EU did designate Hezbollah as a terrorist organization?

Secretary LEW. Well, obviously, the broader the sanctions are, the more it puts the financial pressure on an organization. And, Hezbollah has maintained its ability to finance its operations. It is harder because of our sanctions, but they still are operating, in too many places.

I think we see from Iran that even with the tightest sanctions, it is an ongoing effort. It takes constant work.

So it would certainly be a more effective sanctions regime if we had the full cooperation of Europe. We will continue to make the case that we have been making.

HAITI

Ms. WASSERMAN SCHULTZ. Just shifting gears to Haiti, the estimate of deaths by the Haitian Government after the earthquake was about 300,000. And hundreds of thousands more have faced cholera through the epidemic that broke out. There has obviously been rampant corruption in Haiti, and, in fact, when their President came recently, he acknowledged that that is an issue.

On the Inter-American Development Bank, what steps are we taking to ensure that, given the continued problems with corruption in Haiti, that the funds that are so necessary to get that country to be able to move forward are actually getting to the right places?

Secretary LEW. Congresswoman, corruption in Haiti and the lack of financial and governmental architecture to deal with its problems are a longstanding problem. And when the earthquake hit and the terrible damage that the Haitian people suffered, the flooding and the huge exposure of Haitians to starvation, to sleeping in the elements, to disease, it required an immediate response that was more of an emergency response than it was a systemic response.

We have moved beyond that. We are no longer in that emergency response mode. And I think to save lives in the moment, standards may not have been where they should be on a permanent basis. But when there is a hurricane, an earthquake, the challenges are different.

The international financial institutions are only giving assistance to Haitian organizations that meet the financial standards that are set, that we have signed on to. This is part of a long-term capacity-building that is critical to Haiti.

I wish I could sit here and say that it was happening as quickly as we would like. As you know, this is not the first time the international community has worked with Haiti. But I think there is a more organized effort. There is much more standards-setting going on. It would be good for Haiti and for its own institutions to be able to receive money and to grow. But they are not going to get the money if they don't meet the standards. And that is the mode that the international financial institutions are in now.

Ms. GRANGER. Mr. Diaz-Balart.

Mr. DIAZ-BALART. Thank you very much, Madam Chairwoman.

Mr. Secretary, how are you, sir? Again, I think we all wish you well. You clearly always have—you are never given easy assignments, right? I mean, can't you get something simple every once in a while?

Secretary LEW. I seem to draw the hard cards.

Mr. DIAZ-BALART. It is just not going to happen, right? Well, anyways, appreciate your service to our country.

First, on the IMF quota reform issue, I have never heard anybody bring that up to this committee before. Is that the first time that that has been brought up to this committee, or am I just forgetting it having been brought up before?

Secretary LEW. No, it was brought up as an anomaly to the continuing resolution, and we have now sent it up in the budget. It is an issue that we have been working on before that informally, and, frankly, we have been looking for an opportunity to do it.

Mr. DIAZ-BALART. Sure.

Secretary LEW. We haven't been in a cycle of normal bills, and——

Mr. DIAZ-BALART. As far as you know, then, the first time it was actually brought up to Congress was during the CR?

Secretary LEW. Well, I know it was discussed before that. There have been discussions for some time. I think the first formal transmission may have been in the CR.

Mr. DIAZ-BALART. All right, because I am just not aware of it having been brought up to this committee, but that is really not the—just, I was curious about that.

I was listening very carefully to your explanation and your support of sanctions. And I think sanctions they are different for different countries, but I think they are a very important part of our foreign policy in many ways.

With that in mind, let me talk to you a little bit about sanctions on Cuba. The President expanded educational travel, to include cultural exchanges, in 2011, his stated goal to was to, quote, "help promote the Cuban people's independence from Cuban authorities."

Now, however, itineraries licensed under those exemptions routinely consist of meetings with the Castro regime's operatives, visits to state-controlled institutions. Schedules rarely, if ever, include meeting with Cuba's pro-democracy activists, including independent journalists, independent unionists, artists, musicians, librarians, economists. They rarely include any of that. So, as a result, these trips have now become more of a propaganda and a financial boon to the Castro regime.

The law, section 910(b) of the Trade Sanctions Reform and Export Enhancement Act, expressly prohibits tourist activities on the island. And yet we have seen ample examples of what seems to be blatant tourism, whether it is folks doing 3-hour dinners, salsa dancing until dawn, nightclubs and jazz club visit, parties in state-owned fancy hotels, by the way, where Cubans can't even access.

Your predecessor, I asked him here on this committee about the line between lawful travel and unlawful tourism, if that was being crossed. He vowed on behalf of the Treasury that—he said, "We will enforce the line to the best of our ability," which is obviously

what we all expect, and I think that is what I would imagine you want to do as well.

So here is a question. In the light that we have seen what are pretty evident abuses—because I don't know about you, but when I go on vacation or if my wife and I are able to take a weekend off, what do we do? We might go to a nightclub, we might go dancing—those are clearly tourism activities, particularly when you go to places where they are controlled by the regime.

So help me. What can we do to ensure that these people-to-people trips do not include tourist activities and that they have some hope of promoting the Cuban people's independence from the regime, which is what the President had expressly said that was for?

Secretary LEW. Congressman, I know that these people-to-people exchanges have been an issue of some disagreement over the years.

Mr. DIAZ-BALART. But the law is clear, Mr. Secretary. Tourism is outlawed.

Secretary LEW. But people-to-people exchanges for cultural and educational exchanges are permitted.

The way the program works is programs have to submit detailed plans of what they are going to do. They are approved if the program meets that standard. They are reviewed annually based on their activity.

We will continue to implement the program in that way. And we believe, continue to believe, that people-to-people exchanges are good for the people of Cuba. It exposes them to Americans and American values. It creates a possibility for our people to get together even if we still have a problem with the government.

So I would look forward to working with you going forward, but we will continue to review the programs as we have.

Mr. DIAZ-BALART. And I appreciate that, because the law is very clear that tourism is not permitted. Maybe your idea of tourism and my idea of tourism are different, but it is pretty clear what tourism is.

So if there are—and it seems that there are—gross abuses where some of the groups that are being licensed are, frankly, doing things that are strictly tourism, that is where I would like to sit down with you and look at that.

And, again, we have to make sure that it passes the straight-face test. If tourism is unlawful, if it is not permitted—now you may want to do tourism, but that law is very clear about that, and your predecessor said that he would enforce the law, and I am hoping that you would do the same thing——

Secretary LEW. Well——

Mr. DIAZ-BALART. So there is where I think we need to look at making sure that there are not gross abuses, blatant abuses. Because what we are seeing is a lot of those, frankly, blatant abuses.

Secretary LEW. We will continue to work on the program to make sure that the people-to-people educational and cultural exchange standards are met.

Mr. DIAZ-BALART. Great. Thank you.

Ms. WASSERMAN SCHULTZ. Madam Chair, if the gentleman would yield only—I know his time is up—only for me to ask to be included in those conversations and meetings when you have them with the Secretary and his staff.

Mr. DIAZ-BALART. Thank you.

Ms. WASSERMAN SCHULTZ. Thank you.

Ms. GRANGER. Thank you.

Mr. Cuellar.

Mr. CUELLAR. Thank you, Madam Chair.

Secretary, again, congratulations on your appointment.

Before I ask my questions, just a logistical issue. We had sent you a letter about your latest agency strategic plans, performance plans, performance reports, or priorities. I know some of it is already in your performance.gov, but I would appreciate it if you all can turn that in. I know Secretary Kerry just did his, so I would appreciate yours also.

Secretary LEW. I will take a look at it when I go back to the Department.

Mr. CUELLAR. All right.

EXPORTS TO LATIN AMERICA

Number two, 40 percent of all the exports from the United States go to Latin America, including Mexico. And that area we seem to overlook. And I know the other parts of the world are important, but when we send 40 percent of our exports, that needs to be a very, very important focus.

Mexico is going through a transformation with Enrique Pena Nieto. And I don't know if you are going with the President on May 2nd, but I know that your counterpart, the Finance Minister, Luis Videgaray, they are going through a banking reform, and there are a lot of investors, a lot of people waiting because that would tremendously help Mexico. But they have to take care of a couple political issues that just popped up, and they delayed the plans temporarily.

But I would ask you, talking about financial institutions, tell us what the latest is with Mexico on their anti-money-laundering strategy. We have to find a balance. We have to make sure we stop the narco money but, at the same time, work with the financial institutions, because they certainly want to work with ours.

Secretary LEW. Congressman, I actually met with the Finance Minister last week at the IMF spring meetings, had a good meeting with him. And we discussed this issue of working together on money laundering, counterterrorism. And I know our teams have been working together for some time at effectively trying to build the capacity to cooperate. He expressed an interest in doing so at a senior level, and I would look forward to working with him on that.

Mr. CUELLAR. Okay. Thank you.

The second thing, the Inter-American Development Bank has done—and I have a list of projects of some of the work that they have been doing in Mexico. And, as you know, the more loans and assistance we can provide there, then the better it is for us, because we would rather have a strong and prosperous Mexico. That actually helps us on immigration reform because more jobs will be developed there.

Anything else that you all are doing, working with the Inter-American Development Bank group and, you know, the different

groups there that you wanted to share with us? And I appreciate any efforts on that area.

Secretary LEW. Congressman, I actually met with the finance ministers from Central America and Latin America last week. And they are very much looking to a future where they can have a higher growth rate and where they can make the investments that they need. And, yeah, we discussed that there is a need, in addition to the support from international financial institutions and bilateral aid, for there to be creative private-public partnerships.

And I would look forward to working on all of these fronts. It is important to us that the economies of Latin America do well for economic and security reasons and, as you mentioned, just to deal with some of the challenges that good economies make easier to deal with. We have, in many cases, good partners to work with, and that is something that I will be spending more of my time on.

Mr. CUELLAR. Good. Well, I appreciate the good work you are doing with our friend, Luis Videgaray, in Mexico. I know he is doing a good job. I know him very well. And, you know, let's just keep in mind that a lot of our exports go to Latin America, Mexico. And I just want to make sure we don't forget about them, like we did in the 1980s when we woke up one day and we said, oh, my God, there are Sandinistas here, and then we sent Oliver North and a couple other folks. But we ought to do the preventive work, because there are other countries paying attention to Latin America and Central America, and we certainly need to——

Secretary LEW. Yes, there are.

Mr. CUELLAR [continuing]. Continue our efforts.

So thank you. I yield back the balance of my time.

Thank you, Mr. Secretary.

Ms. GRANGER. Thank you.

Mr. Yoder.

Mr. YODER. Thank you, Madam Chair.

Mr. Secretary, welcome to the committee today.

Secretary LEW. Thank you.

Mr. YODER. We are glad to have you here.

I wanted to return to the topic regarding Iran and the sanctions, which have been discussed in this hearing already. And many reports have shown that the sanctions are having an impact on the Iranian economy, making it more difficult, particularly in oil trade and in other areas, for Iranians to grow their economy. And there are certainly some challenges they have with that.

There are also a lot of reports about Iranian companies, Iranian Government mislabeling, using different documents. I am sure you are well aware of efforts they are trying to make to get around the sanctions.

I would like to hear your thoughts on, one, how we tighten our enforcement, what steps we need to take. Are there things that Congress can do to be more supportive in that effort? How do we ensure that those sanctions are as effective as everybody wants them to be? That is the first question.

And the second question is, do you believe that these sanctions will realize their stated goal, which is to stop Iran from building a nuclear weapon? Do you think they will achieve success, and

how? And then how do we know when we have been successful? How do we know that we have actually achieved that goal?

Secretary LEW. Congressman, the challenges of implementing a sanctions regime are many, so we have very strong tools. We have strong unilateral tools; we have strong multilateral tools. There is a team working every day to make sure that the tools are used effectively and that areas of potential leakage are shut down.

So there are ongoing efforts constantly to make sure that, whether it is insurance or shipping or currency transactions, that the sanctions are being followed and that where there are institutions that are not following the sanctions regime, action is taken against them.

We do it as we find problems. And I have to say, I have raised these issues now with many of my counterparts around the world. We do it with the cooperation of like-minded countries, in most cases.

You know, I am not sure if you were here when I talked about the TARGET2 issue. It is an issue we are very concerned about. We don't want euros finding their way into Iran because there is a leakage somewhere in an administrative system.

There is no disagreement on policy between us and the eurozone. I think that the conversations that we have had with them have raised this issue to a higher level on their radar so that senior officials are now asking the questions that we are asking. And that is how you solve these problems.

So I think we have to distinguish between what are the tools we need and then the kind of blocking and tackling of implementing them effectively.

I think this is the tightest sanctions regime ever put in place. And it is working, if you look at the measures of Iran's economy, whether it is their GDP, their exchange rate, their unemployment rate, their inflation rate. It is not a small thing, the story that Congresswoman Lowey referred to of people going to stores and not able to buy the foodstuffs that they need. During Ramadan, they couldn't buy meat for the one daily meal. This is a big deal.

Now, the question of whether it will change the Government of Iran, that is obviously the objective. The objective is not to hurt the people of Iran. Most of the people of Iran don't mean any harm to us or have a particular interest in the nuclear program. Our goal is not to hurt innocent people. Our goal is to change what the government does.

The President has made it as clear as he possibly can, it is unacceptable for Iran to have nuclear weapons. We are not pursuing a policy of containment. They must not develop nuclear weapons. They can't have nuclear weapons. No options have been taken off the table.

We won't know until we get to the end of the window of time that we have. I think that the fact that there are still negotiations going on, until it is over, we won't know if Iran changes its position.

We will know if they change their position. If they agree to standards that are acceptable and there is an ability to make sure they keep by their agreements, that is going to be kind of the end of a sanctions effort, and in a successful way. If they go forward

and develop nuclear weapons and don't stop and we run out of time, the President has made clear all options have been left on the table.

So I think it would be better for the world and for Iran if the sanctions work.

Mr. YODER. And I agree with that point, Mr. Secretary. I think the challenge is that we have been effective with these sanctions at damaging the Iranian economy, which might lead to regime change, which might change the political climate in Iran, but there haven't been any signs to show that they are actually slowing down on their nuclear ambitions. In fact, reports we see are that they are speeding them up. And so there is a race here, I think, on their part, probably, to move even faster.

Do we think these sanctions will be effective, ultimately? I think they are obviously effective at damaging the Iranian economy. What will their impact be on their nuclear ambitions, though? How confident are we that this will somehow create nuclear changes in Iran? And when will we know we are successful? Is it regime change? Is Iran coming out with a policy distinction? And what is your sense of how likely that is when we see reports that they may be pushing even harder in the other direction?

Secretary LEW. I think we are out of time, but——

Ms. GRANGER. You can answer it.

Secretary LEW. Should I respond?

Ms. GRANGER. Yes.

Secretary LEW. The President has made clear that the objective of the policy is to reach the endpoint where Iran does not have nuclear weapons. We are going to continue pursuing sanctions as long as sanctions are an effective tool. And the President has made clear that all options have been left on the table.

So I can't sit here today and assess a timeline. You know, all of the experts who look at this believe there is still time for this negotiation to work. It would be in the best interests of Iran. It would be in the best interests of the world.

So I am going to do what I can as the Secretary of the Treasury to make sure that sanctions are tough and that they are implemented effectively and that they do what sanctions can do. It is up to the Iranians to change their mind. And the President has made clear, it is unacceptable for them to have nuclear weapons.

Mr. YODER. Thank you, Mr. Secretary.

Thank you, Madam Chair.

Ms. GRANGER. Thank you.

I will now turn the gavel over to Mr. Dent, the vice chair of the committee, in my absence.

Mr. DENT [presiding]. At this time, the chair recognizes the gentlelady from California, Ms. Lee.

Ms. LEE. Thank you, Mr. Chairman.

Good to see you again, Mr. Secretary.

Secretary LEW. Good to be here. Thank you.

Ms. LEE. First, let me just say thank you for your service and to all of the individuals at Treasury who work so diligently on behalf of the American people.

I want to also make a request of my colleague from Florida that I be invited to the meeting that you are going to have with Con-

gresswoman Wasserman Schultz on Cuba because I have a lot of issues, also, that I would like to put on the table and would like to discuss.

Mr. DIAZ-BALART. Okay.

Ms. LEE. And I know we all disagree, or many of us disagree with the law, and we also believe that Americans should have the right to travel to Cuba. They have the right to travel to Vietnam, to China, and to other communist countries. And so that is something we need to do and I want to work on, to lift this travel ban. Because I think then maybe we can find some rational kind of approaches to addressing Cuba.

I want to also find out as it relates to OFAC and talk about OFAC's role in fighting terrorism. And, personally, I believe and there are others who believe that you spend a lot of resources enforcing the very strict travel and trade sanctions with Cuba, which, you know, it is still on the terrorist list even though there was a Defense Department white paper that said Cuba was not a threat to the United States in terms of its national security. And there certainly are many areas of the world where we should be focused and spending our resources as it relates to terrorism.

Let me just ask you, in terms of the last time the Office of Terrorism and Financial Intelligence, or the Office of Foreign Assets Control, when did you last block or intercept a terrorism-related financial transaction supported by the Cuban Government? And what type of terrorism activities are you all preventing through OFAC?

Secretary LEW. Congresswoman, I would have to check. Certainly, in the time I have been at Treasury, nothing has been brought to me, but I would be happy to go back and check.

You know, the activities that I am familiar with are these licenses to approve the people-to-people travel, educational and cultural exchanges. A fair amount of effort goes into that process because each application has to be reviewed separately. It has to be annually reviewed. And, you know, we do put a good amount of effort into it.

Ms. LEE. Okay. And I understand that. But then I would appreciate knowing in terms of the enforcement of terrorism and terrorist-related transactions, the type of resources you spend on that and what type of activities have actually taken place.

Secretary LEW. I would be happy to check.

Ms. LEE. Secondly, my colleague, Representative Wolf, he and I and others continue to remain gravely concerned about the ability of the Khartoum regime to continue, especially Bashir, the brutal attacks in Darfur, the Nuba Mountains, Blue Nile, South Sudan. It is widely known that the Government of Sudan—its ability to perpetrate grave human rights abuses and that those abuses are closely tied to front companies closely controlled by the ruling party.

So will the United States Treasury, will you commit to withholding debt relief—and we have been working on this for some time—from the Government of Sudan unless comprehensive reforms are achieved? And do you think that is something that may help?

And, secondly, what is the Department of Treasury doing to strengthen multilateral approaches to enforcing and strengthening sanctions? I was the lead author of the sanctions bill, and we need to use our leverage to push the World Bank, the IMF to refrain from releasing funds to Bashir's genocidal regime.

Secretary LEW. Congresswoman, the Treasury budget does not have the funds for debt relief. The State Department's request for the Economic Support Fund has a conditional request, conditional on Sudan meeting the preconditions. And the preconditions would require that progress be made on the kinds of issues that we are talking about.

I think one of the important things about debt relief is it is leverage in a conversation with a government that badly needs the debt relief. And I would defer to my colleagues in the State Department on how those conversations are going.

Ms. LEE. Okay, but how does the Treasury Department then coordinate with State on this? I mean, is it that you don't have any jurisdiction over it, debt relief and sanctions?

Secretary LEW. There are different forms of providing debt relief. And the way it was requested was that it would be through the ESF, and that is a State Department authority.

We obviously work with them on the substance of these issues regardless of which mechanism is used, and there is only one government position. But it wouldn't be a Treasury action.

Ms. LEE. Okay. Thank you very much.

Thank you.

Mr. DENT. At this time, the chair recognizes himself for 5 minutes.

Thank you, Mr. Secretary, for being here.

And in May 2011, President Obama announced that the U.S. would swap $1 billion of Egypt's debt for economic development initiatives at a cost of $960 million over 3 years.

I have three questions. Could you give us the latest information on the administration's plans to forgive or swap Egypt's bilateral debt to the United States? Is Treasury working on such a package? You know, what about loan guarantees?

So those would be my questions, sir.

Secretary LEW. Congressman, we have just announced a $250 million package of support for Egypt. And I think it is important for Egypt that they have some space, but it is also important we see that Egypt is making progress on the path toward building a more stable economic and political future.

The conversations that are going on now with the IMF are key, because if Egypt agrees to the terms of an IMF package, it will lay a foundation for us to have further conversations with Egypt.

I would be happy to get back to you on the specific components, but the package that was announced, the $250 million package, was what we had the ability to do. And I believe that was mostly ESF money.

Mr. DENT. Okay, you mentioned the IMF. Could you give us an update on Egypt's negotiations with the IMF and their movement on economic policy reforms?

Secretary LEW. Well, the IMF has been pressing hard for Egypt to do some very tough things, on both the subsidy side, particularly

energy subsidies, and on the tax side, in terms of building up Egypt's revenue base. Those are hard things to do in a stable environment; in a situation like Egypt's, it is particularly difficult because they have just come through a revolution.

I think that it is not just something the world community is looking to Egypt to do; it is something that Egypt needs to do to build its own capacity to have a stable future. And I think these conversations are making progress, but they are not yet complete.

Mr. DENT. Well, that leaves, I guess, the bigger question, or the comment, for all of us, what are the expectations of the administration as it relates to Egypt before giving any additional aid? I mean, what is our policy?

We have had a lot of issues with Egypt. This subcommittee has generally been supportive of aid to Egypt, but clearly this relationship is evolving.

Secretary LEW. I think that the relationship with Egypt, from the leaders through the working teams, has been getting stronger. There is a kind of exchange that often is productive. I know that, when I was Chief of Staff, I was with the President when he spoke with President Morsi on many occasions. They were direct conversations, and they made very clear the kinds of change that were needed.

We understand that change is hard to make, particularly in a situation where a country has just gone through a political upheaval, a transition from a totalitarian state, and with an economy that is very fragile. By the same token, they have to start building the foundations for a future that is more stable, both economically and politically.

I think we have to have some patience in that process because those transitions don't happen in a week or a month. But they do have to begin, and there has to be a short-, medium-, and long-term view of where you are heading. They have elections coming up. Those elections, should clarify the situation in some ways, but we can't wait until the elections. That is why the IMF conversations are still going on in realtime.

So we are very cognizant of how important Egypt is to the region in terms of stability. It is important to the United States that there be stability in the region. And, we are going to continue to work for the kinds of change—to help Egypt make the kinds of changes that it needs to make.

Mr. DENT. Thank you.

And quickly shifting to Iran, I know, Representative Lowey, you got into that issue a little bit.

And I believe your answer to her question with respect to the Global Environmental Facility funding that came through the World Bank, I guess it is your statement, I believe, that that will no longer continue?

Secretary LEW. We have a commitment from the fund that there will no longer be commitments to Iran, and there was, one commitment that will not be paid.

Mr. DENT. Okay. And in the event that the World Bank reneges on that commitment, what would be a consequence to the World Bank?

Secretary LEW. Well, GEF is not a World Bank entity, so it would be that partnership. But we have made it clear that it is unacceptable to us. And we have the commitment, and we are going to continue to make sure that that commitment continues.

Mr. DENT. And, finally, too, with respect—I don't know if you can say this in an open session or not, but with respect to what this government is doing to disrupt transactions of oil emanating from Iran, I know you have some capacity to do that in that regard. Is there anything you can say in this session?

Secretary LEW. What I would say is that we have used all the aspects of the sanctions tools that have been provided to make it more difficult for Iran to sell oil, to make it more difficult for Iran to get foreign currency when they do sell oil, and to make the sanctions regime as tight as it can possibly be.

I think we have substantial evidence that that is having an impact in terms of the Iranian economy. And we have to keep on it so that it changes the government's political decision-making.

As I have said a couple times this morning, sanctions can create an environment where a regime feels pressure to change its position. It can't make the change. The regime has to make the change. And we still have to keep pushing.

Mr. DENT. Thank you, Mr. Secretary.

And just for the record, the GEF is housed at the World Bank. I just want to be clear about that.

Secretary LEW. But it is not a World Bank entity. It is just an administrative relationship.

Mr. DENT. Okay. Thank you.

And, at this time, I now recognize Mr. Schiff.

Mr. SCHIFF. Thank you, Mr. Chairman.

Mr. Secretary, nice to see you. Thanks for your good work.

I just want to follow up on a couple of Mr. Yoder's questions.

According to reports, the Central Bank of Iran is continuing to do business, and that has resulted in a repatriation of funds to Iran. Given that other banks cooperating in this effort are violating the sanctions, what steps are we taking or can we take against the violating banks?

Secretary LEW. Congressman, we have been taking actions as we discover them against violating banks. And we will continue to do so and to be vigilant about it.

The challenges come in multiple forms. There are the violations, where we have tools to take actions against banks, to list the banks and to act against the banks. There are also things that may not be intended, and that is where the TARGET2 kinds of issues come in. There is no policy difference between us and the countries of the eurozone. But if money is leaking, if euros are leaking into Iran, we need to shut down the leaks and they need to shut down the leaks.

We are working at every level, both on the intentional transactions and the administrative end, to do as much as we possibly can stop the flow of foreign currency into Iran and to make it more difficult for Iran to continue to do its normal business.

Mr. SCHIFF. Do you have any knowledge of whether Turkey has been sending gold to Iran in exchange for natural gas? If they were doing so, would that be a violation of the sanctions?

Secretary LEW. I would have to look into that, Congressman.

Mr. SCHIFF. If you would, I would very much like to get a response back.

There have been some very serious indications that Syria may have used chemical weapons, the Assad regime may have used chemical weapons against its own people. Can you tell us a little bit about the existing sanctions regime on Assad and his cohort and how you see that changing if, in fact, it is demonstrated that he has used chemical weapons?

Secretary LEW. Congressman, as you know, we did not have the same success at the U.N. on Syria that we had on Iran. Russia and China did not participate with us in the sanctions regime against Syria. We have said many times we think they will find themselves on the wrong side of history. And we are going to use the unilateral sanctions and the collaboration with the eurozone and other like-minded countries to put as much pressure on as we can.

We are actually seeing the effect of that. The economic problems in Syria, it is hard to say what is due to sanctions and what is due to the just brutal warfare that is going on there. But the economy of Syria is in a shambles, and, it is going to take a very long time for Syria to recover.

We are committed to implementing the unilateral sanctions that we have and working with like-minded countries to make it as clear as possible that the pressure will build on Syria and the international community will not let up until there is a transition.

Mr. SCHIFF. Is there anything that you need from us in terms of your authorization on either Syria or Iran, in terms of tightening the economic pressure on either regime?

Secretary LEW. I am happy to go back and have conversations and get back if there are. I am not aware of anything right now.

Mr. SCHIFF. Okay.

Thank you, Mr. Chairman. I yield back.

Mr. DENT. Thank you, Mr. Schiff.

I guess we will move into a brief second round, if we can. I want to recognize Mr. Diaz-Balart.

CUBA

Mr. DIAZ-BALART. Thank you very much, Mr. Chairman. I will try to be brief.

I just want to assure the gentlewoman from California that she would be more than welcome. Anybody of good faith who is interested on an issue like that, we should feel free to work together. You are clearly welcome.

Just a reminder, though, to the Secretary, who is new on this issue and you have dealt with a lot of issues but probably not this one. My colleague from California obviously has objections to the law. She has been very clear about that. But the law is the law. And until it changes—and I don't think it will—that is the law.

And just also another reminder, she asked some specific issues about potential threats and I don't want to put words in her mouth about Cuba, though. I just want to mention a couple things. That it harbors cop killers, and there are about 100 fugitives from American laws who are there. They are right now holding an American hostage in prison. Just like Iran has an American hostage, so does

Cuba right now. Shot down two American airplanes in international airspace. Not even Iran has done that.

And, just last week, The Washington Post had an article, which I will refer all of you to look at it, dealing with Ana Belen Montes, a spy who was a spy deep within our government for the Cuban regime. She has been convicted of espionage. And, by the way, she is the one who wrote the white paper that my colleague mentioned. So that white paper saying that Cuba is not a threat was actually written by a person who is now in prison because she was convicted of spying for the regime that she said was not a threat.

So we can go on and on, but I just want to make sure let's get some of those facts on the table. And I would ask all of you to look at that article in The Washington Post about Ana Belen Montes, one of the most damaging cases of espionage against the United States. She was working for the Castro regime. I can go on and on, but the chairman has said that we should be brief, and I will.

Thank you, Mr. Chairman.

Mr. DENT. Thank you, Mr. Diaz-Balart.

And I recognize Ms. Wasserman Schultz.

Ms. WASSERMAN SCHULTZ. Thank you, Mr. Chairman.

Mr. Secretary, during the Horn of Africa famine in 2011, which was obviously prior to your service and was during your predecessor's service, OFAC was—I guess the best way to describe it is slow. Or there were obstacles in the path of making sure that we could issue a license for humanitarian aid to address the famine that really had been predicted.

And in the resulting slowness for us to ensure that we didn't violate sanctions and, at the same time, make sure the humanitarian aid got to people that needed it, 30,000 children died. I mean, that is not a small number. Sometimes we have very large numbers that are so breathtaking that we can't get our minds around them. But, I mean, 30,000 is—1 is too much.

So, I can appreciate the need for us to watch carefully and make sure that we balance a sanctions regime against a humanitarian aid regime. But that seems like a pretty big balance problem, to lose 30,000 children for a famine we predicted.

So what steps are going to be taken by your administration at Treasury to make sure that we can get that help where it is needed?

Secretary LEW. Congresswoman, I actually had some involvement in that from my former position at the State Department. So while I was not at Treasury, I am very familiar with the challenges that were presented there.

Our policy is clear, we try to provide humanitarian assistance, and we are as generous as any country, and probably the most generous country in the world. We have brave people who go into dangerous places to try and save lives. The reason it takes courage is not because of any will on the part of the United States; it is because there are people who are trying to accomplish political goals and willing to use 30,000 children or aid workers as pawns in their effort.

The issue of how to balance implementing our terrorist financing laws with safe passage in areas that have groups like Shabaab setting up checkposts is a very hard balance. Certainly, all of our

hearts go out to the victims of famine. Our goal is to get relief. But it was Shabaab that was charging tolls and making requirements of payments.

I think that, when you look at an entity like Shabaab, very small amounts of money lead to an awful lot of political power and lethal power. So these are questions of malign forces that are willing to use children to accomplish their goals, and they try and somehow implicate aid providers in that.

So there is a struggle to reach a balance there. And it was a tragedy frankly, that the Shabaab imposed on their own people. And we will work to go through these balances as quickly as we can, but they are hard choices.

Ms. WASSERMAN SCHULTZ. I would like to work with you on whatever more we can do, to deal with and address that balance.

Thank you.

Mr. DENT. Thank you, Ms. Wasserman Schultz.

At this time, I recognize the gentlelady from California, Ms. Lee.

Ms. LEE. Thank you very much.

I guess, instead of asking my question, I would just like to raise a couple points in response to my colleague from Florida as it relates to Cuba.

First of all, you laid out several issues that are of concern to everyone. Probably in China there are many more issues that are of concern to all of us. But the only way we are ever going to have some kind of rational dialogue and discussion is by ending the embargo and having, you know, a normal foreign policy as it relates to Cuba to begin to sort through some of these issues.

I have visited Mr. Gross several times in Cuba. I have called for his release. And there are many, many issues, though, that complicate that, including some that, you know, the Cubans may feel are problems. I mean, our hands aren't clean on all of these issues either.

And I think the only way we could ever move forward to have a foreign policy that makes sense not only on behalf of the American people but also on behalf of our businesses in this country—because there are tremendous economic opportunities in Cuba for U.S. companies which we are losing market share on as a result of this—the only way we are going to do that is by entering into some normal dialogue with normal bilateral relations.

And so I would hope that we could sort through many of these issues, especially as it relates to the terrorist threat, because no one wants to do business with a country on the terrorist list. And so I am still curious about what OFAC sees in terms of any terrorist activities as it relates to financial transactions and what the real problems are.

Because, again, Americans should have the right to travel to Cuba, and I disagree with that law, but, you know, Americans are being penalized behind a law that is very discriminatory. And so, hopefully, we can start some discussions and make some sense, put these issues on the table and try to figure out how to move forward. Because, you know, you have many of your constituents who go back and forth now to Cuba. And I have talked to many of them, and I know that they would like to have some sort of sanity as it relates to the United States and Cuba.

Thank you.

Mr. DENT. Thank you, Ms. Lee.

At this time, the chair would recognize himself and would be happy to yield to Mr. Diaz-Balart if he has any further comments.

Mr. DIAZ-BALART. Mr. Chairman, obviously, this is not the time or place to discuss the whole policy. The gentlewoman and I have a difference on the policy. But the Secretary is here, and we are talking about what the law is and enforcing the law. Now my colleague has all the right to try to get rid of that policy, but the policy is there and the law is there. And nobody, nobody, is above the law. And that is the issue at hand.

And I would also welcome working with my colleague to look at—because I think that there are gross violations of human rights in China. I agree with that. And I don't think that we are, frankly, focusing on those violations like we need to.

And, again, this is not the time or place to litigate that. My issue is, let's enforce the law, the law that the President said he supports, the law that your predecessor said that he wanted to enforce, the law that has to be enforced——

Secretary LEW. And I have indicated we will continue to enforce——

Mr. DIAZ-BALART. And that is the issue at hand. So we can litigate the merits of the entire law, but that is obviously not what is here in front of us today.

Thank you very much.

Mr. DENT. Thank you.

And reclaiming my time, I will yield back.

And, at this time, I would be pleased to recognize the ranking member.

Mrs. LOWEY. Thank you very much.

And, again, I apologize. There are several hearings going on at the same time, and I understand most of the areas were covered.

I did want to deal, just for one last question, with the Global Agriculture and Food Security Program. I have been, shall I say—I sound like a broken record—talking about coordination, coordination, coordination. And, certainly, in times of tight budget, we have to be sure that we are coordinating effectively.

Could you distinguish what the GAFSP is doing to improve food security in selected IDA-eligible countries from U.S. bilateral assistance in these same countries and the Feed the Future initiative? What steps, if any, you are taking to avoid duplication of effort or to make U.S. and multilateral efforts complementary?

Secretary LEW. Congresswoman, Feed the Future is a program, as you know, I have been involved with from its inception. And one of the goals was to coordinate effectively both with other countries that were providing bilateral assistance and in the context of the multilateral entities, to designate countries to come in and work in a concerted way, moving a system to the point of sustainability, not just one funding project. The goal is very much to do that with the international financial institutions, not to duplicate but to complement each other.

I haven't had a chance in my new position to look as deeply into the international side as I did the bilateral side when I was at the State Department. But it is very important to me that that coordi-

nation be effective. Because the idea here was to do assistance in a different way, in a more effective way, to not say we could be everywhere doing everything, but to go into countries and, with global partners, make a difference that would have a lasting impact. That is the purpose of Global Fund, it is the purpose of Feed the Future, and I look forward to working to make sure that that is accomplished.

Mrs. LOWEY. Thank you very much. I look forward to continuing to work with you. And, again, we are fortunate to have someone of your knowledge——

Secretary LEW. Thank you.

Mrs. LOWEY [continuing]. In this important position. Thank you very much.

Mr. DENT. Thank you, Mrs. Lowey.

And, Secretary Lew, thank you again for your time and your testimony. It is very much appreciated.

This concludes today's hearing. And Members may submit additional questions for the record if they so choose.

Mr. DENT. The Subcommittee on State, Foreign Operations, and Related Programs stands adjourned.

Secretary LEW. Thank you very much, Mr. Chairman.

House Committee on Appropriations Subcommittee on State, Foreign Operations, and Related Programs
Hearing on the Department of the Treasury FY 14 Budget Request
Questions for the Record (QFRs) for Treasury Secretary Jacob J. Lew
Hearing Date: April 24, 2013

Questions for the Record – Chairwoman Kay Granger (R-TX)

Topic 1: International Monetary Fund

Question 1: What is the current balance of the IMF endowment established with $7 billion in profits from the 2010 gold sales?

The balance of the endowment has remained unchanged in Special Drawing Rights (SDR) terms since its establishment, at SDR 4.4 billion. The balance in USD terms is $6.8 billion, based on an exchange rate of 1 SDR = USD 1.54 on January 31, 2013, the date of the most recent published IMF financial statement.

Question 2: How much has been spent from this endowment since its creation?

None of the endowment has been spent.

Question 3: How has the remaining $3.8 billion in gold sales profits been spent or programmed? Please be specific.

With strong U.S. leadership, the IMF Board agreed to use all $3.8 billion of the windfall gold sales profits to support low-income countries through the Poverty Reduction and Growth Trust (PRGT). In 2009, the IMF Board agreed to use about $1.1 billion of the initial windfall profits to boost the PRGT's concessional subsidy resources and to extend interest rate relief (zero interest) on all PRGT loans through the end of 2012. In 2012, led by the United States, the IMF Board decided to similarly direct the remaining $2.7 billion windfall to the PRGT and to extend the zero percent interest rate on PRGT loans for an additional two years through the end of 2014. Enhancing IMF support for low-income countries is a U.S. priority. These initiatives will help put the PRGT on a more sustainable footing and safeguard the IMF's role in promoting macroeconomic stability, higher long-term growth, and poverty reduction in low-income countries.

Question 4: What is the IMF's income earned on outstanding loans for calendar year 2012 and projected for 2013?

The IMF's income position is determined according to the IMF's financial year, which runs from May 1 through April 30. For IMF FY 2013, beginning on May 1, 2012, the IMF's lending income, including surcharges, was estimated to be SDR 2.69 billion, or about $4 billion. For IMF FY 2014, beginning on May 1, 2013, the IMF's lending income, including surcharges, is projected to be SDR 2.43 billion, or about $3.6 billion.

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Question 5: Please list each outstanding loan and corresponding surcharges on each loan for 2012 and projected for 2013.

Surcharges are designed to discourage large and prolonged use of IMF resources and are assessed on credit outstanding under Stand-by Arrangements (SBA) and Extended Fund Facilities (EFF) in excess of 300 percent of quota. Surcharges data is compiled and published according to the IMF's financial year, which runs from May 1 through April 30.

In IMF financial year 2013 (May 2012-April 2013), total surcharges amounted to $1.9 billion. Countries with outstanding credit at levels consistent with surcharges included:

Country	Most Recent Program	Date Program Approved	Amount Approved ($ billion)
Antigua & Barbuda	SBA	6/7/2010	0.1
Armenia	EFF	6/28/2010	0.4
Belarus	SBA	1/12/2009	2.5
Dominican Republic	SBA	11/9/2009	1.7
Greece	EFF	3/15/2012	36.4
Hungary	SBA	11/6/2008	15.7
Iceland	SBA	11/19/2008	2.1
Ireland	EFF	12/16/2010	29.9
Pakistan	SBA	11/24/2008	7.6
Portugal	EFF	5/20/2011	37.8
Romania	SBA	3/31/2011	4.9
St Kitts & Nevis	SBA	7/27/2011	0.1
Sri Lanka	SBA	7/24/2009	2.5
Ukraine	SBA	7/28/2010	14.9

* Credit outstanding from a previous program at the time of program approval increased credit outstanding above 300 percent of quota.

In IMF financial year 2014 (May 2013-April 2014), total surcharges are projected to be $2.2 billion. Countries with projected outstanding credit at levels consistent with surcharges include:

Country	Most Recent Program	Date Program Approved	Amount Approved ($ billion)
Antigua & Barbuda	SBA	6/7/2010	0.1
Armenia	EFF	6/28/2010	0.4
Cyprus	EFF	5/15/2013	1.3
Greece	EFF	3/15/2012	36.4
Iceland	SBA	11/19/2008	2.1
Ireland	EFF	12/16/2010	29.9

Jordan	SBA	8/3/2012	2.0
Portugal	EFF	5/20/2011	37.8
Romania	SBA	3/31/2011	4.9
St Kitts & Nevis	SBA	7/27/2011	0.1
Sri Lanka	SBA	7/24/2009	2.5
Ukraine	SBA	7/28/2010	14.9

Question 6: Please describe how the Administration is implementing section 7090(a) of Public Law 111-117 (also included by reference in the FY11-3 appropriations acts) that requires the Secretary of the Treasury to instruct the U.S. Executive Director of the IMF to oppose the provision of Special Drawing Rights to countries that the government of which the Secretary of State has determined has repeatedly provided support for international acts of terrorism?

In conformity with Section 7090(a) of P.L. 111-117, and as a matter of policy, the United States does not enter into transactions to provide dollars in exchange for Special Drawing Rights (SDRs) with countries that provide support for terrorism.

Question 7: Have any votes occurred at the IMF in which section 7090(a) would be relevant?

No. The United States is not aware of any exchanges of Special Drawing Rights (SDRs) for hard currency by countries that provide support for terrorism.

Question 8: What is the total cost estimated for the IMF headquarters expansion?

The total cost of Headquarters 1 (HQ1) renovation is budgeted at $431 million. The IMF Executive Board approved this budget in two tranches of $84 million and $347 million in FY 2012 and FY 2013, respectively, to be expended over several years (through IMF FY17). The project was fully financed from the IMF's FY 2012 and FY 2013 budgets and does not feature in the FY 2014 capital budget.

At this point in the project, cost analyses for the construction indicate that the program is in line with the initial estimates that formed the basis for the proposed budget envelope.

Question 9: How much is estimated for this expense in 2013?

While the total financing for the HQ1 renovation project was approved by the IMF Executive Board in FY 2012 and FY 2013, expenditure for the project will be carried out over several years, through FY 2017. HQ1 renovation expenses in IMF FY 2013 were approximately $14.7 million.

Question 10: What is the one year forward commitment capacity of the IMF?

The one-year forward commitment capacity of the IMF is approximately $396 billion, as of May 23, 2013.

Question 11: Have any IMF resources been committed in the past five years in which IMF loans were not specifically singled out to be paid back first?

No. The IMF is regarded as the world's preferred creditor in all of its lending activities, meaning that all of the IMF's member countries acknowledge and agree that it gets repaid first.

Question 12: What is the level of staff at the IMF, including temporary or contract staff?

As April 2013, the IMF employed 2,703 staff, including 128 temporary staff.

Question 13: Does the U.S. Federal Reserve have legal authority to make loans to the IMF?

No. Loans to the IMF may not be made on behalf of the United States unless Congress authorizes such action by law.

Topic 2: Exchange Stabilization Fund

Question 14: What was the balance of the Exchange Stabilization Fund at the end of FY12?

The ESF had total assets of $103,859,998.00 as of the end of FY 2012, consisting of Special Drawing Rights, U.S. government securities, and euro and yen assets. For a detailed breakout, please see Annex 1.

Question 15: Please provide a chart of the ten largest transactions conducted by the Exchange Stabilization Fund in FY12.

There were no transactions conducted during FY 2012. (For reference, the last transaction conducted by the ESF was an SDR purchase in June 2011.)

Topic 3: Global Food Security Trust Fund (GFSTF)

Question 16: Please provide an updated chart on all contributions to the GFSTF including the United States, and the corresponding percentage of contributions both cumulatively and in FY12.

Cumulative Donor Contributions to GAFSP through May, 2013 (USD million)		
Donor	**Paid-In Amount**	**Percentage**
Australia	75.4	6.8%
Bill and Melinda Gates Foundation	60.0	5.4%
Canada	253.6	23.0%
Ireland	0.6	0.1%
Japan	0.0	0.0%
Netherlands	76.3	6.9%
South Korea	53.9	4.9%
Spain	94.2	8.5%
United Kingdom	20.1	1.8%
United States	469.2	42.5%
Total	**1103.3**	**100%**

Donor Contributions to GAFSP during FY 2012 (USD million)		
Donor	**Paid-In Amount**	**Percentage**
Australia	10.2	4.1%
Netherlands	76.3	31.0%
United States[1]	160.0	64.9%
Total	**246.5**	**100.0%**

1 – The USG contribution during FY 2012 consists of $135 million in funding appropriated to Treasury for GAFSP and $25 million appropriated to State/USAID in FY 2011 and provided to the GAFSP private sector window during FY 2012.

Question 17: Are any contributions by other donors made as loans?

No, no donor contributions to GAFSP are provided in the form of a loan.

Topic 4: Multilateral Debt Relief Initiative

Question 18: Please provide a complete list of all commitments made by all donors by year (past and future), including the United States, to the Multilateral Debt Relief Initiative.

See Annex 2.

Question 19: Please provide a list by country and year of all loans or other Multilateral Development Bank (MDB)/International Financial Institutions (IFI) debt approved for all Heavily Indebted Poor Countries (HIPC) countries since their completion point was reached.

See Annex 2

Question 20: Please provide a list of all HIPC countries that have secured private debt on the international bond market in the past two years.

There are six HIPC countries that have issued sovereign bonds on the international bond market in the past two years, namely Bolivia, Honduras, Senegal, Tanzania, Rwanda, and Zambia.

Question 21: Is there a fear that the financial system could be creating another Brady bond scenario in the future?

No HIPC countries have returned to the Paris Club for debt treatment following completion point, and we do not have concerns about systemic risks to debt sustainability in the current environment. In order to prevent the return of another lend and forgive cycle, however, we will continue to work with the World Bank, IMF, and other creditors (through mechanisms such as the Debt Sustainability Framework and the Debt Limits Policy) to monitor borrowing levels and ensure long-term sustainability.

Topic 5: Multilateral Development Banks (MDB)

Question 22: Please provide a list of each bank and their policy to publish all audits, performance and financial, online.

World Bank:

The World Bank has continued to make its operational, project, and financial data open to all stakeholders, including audits and performance data. In accordance with its Access to Information Policy, the Bank allows access to any information in its possession that is not on a list of exceptions. The projects and operations website offers detailed information on over 14,000 lending projects from 1947 onwards. During World Bank fiscal year 2012 (ending June 30, 2012), there were more than 1.2 million visits to the dedicated "Access to Information" website; users viewed more than five million pages and downloaded more than 1.2 million files. This website allows the public to directly search and browse more than 134,000 documents. In FY 2012, the number of public access requests for disclosable information not on the Bank's external website that came directly to Access to Information staff increased by 8.8 percent. Approximately 78 percent of these requestors received a comprehensive response within 20 working days.

Inter-American Development Bank (IDB):

The IDB is in the final stages of implementing changes needed to fully harmonize its access to information guidelines with those of its peers. These changes will allow for disclosure of the annual audited financial statements of IDB projects, provided that the authorities of a country in which a project is undertaken do not object to their publication. If there is an objection, the country's authorities are responsible for providing redacted statements that provide financial information at a level acceptable to the IDB. These changes are reflected in amendments to the Access to Information Guidelines that were sent to the Board of Executive Directors in February 2013. In addition, the IDB's independent evaluation office conducts thorough performance reviews on IDB operations and these evaluations are available online. Countries have the ability to redact any sensitive information in these reports if deemed confidential.

As provided by the Access to Information Implementation Guidelines, the IDB endeavors to provide a comprehensive response to requests with 30 calendar days, recognizing that additional time may be needed for special circumstances, such as complex requests or requests that require consultation with internal or external groups. In 2011, the IDB received 2,007 requests for information through its new on-line request system, of which 1,988 were answered by December 31, 2011. The 19 unanswered requests (seven received in December) were pending input from IDB specialists. An additional 771 requests received by telephone or email at headquarters were answered, and the IDB's country offices, collectively, received and answered 1,143 requests for information in 2011.

From January 1 through December 31, 2011, the IDB's website, the primary vehicle for disclosure of information to the public, received a total of 12,801,695 page views, including 1,489,000 for the Projects tab, 741,000 for the Research tab, 144,216 for the Publications tab, and 11,208 for the Access to Information page. Additionally, a total of 55,820 documents were downloaded for the same period.

Asian Development Bank (AsDB):

Under the revised Public Communications Policy (PCP) that took effect in April 2012, the AsDB posts annual audited project financial statements for sovereign projects on its website, specifically the audit opinion, the financial statements, and the notes to the financial statements. Under the revised policy, the AsDB's website continues to be the primary vehicle to disclose information about its work. In 2012, the AsDB posted over 4,200 documents and reports on the site. Furthermore, the AsDB makes its performance assessments available through its annual Development Effectiveness Review, which uses four broad indicators to measure the external and internal performance. These indicators include project design quality, measures of poverty reduction, operational effectiveness, and organizational effectiveness. This information is available on the AsDB's website.

African Development Bank (AfDB):

Based on its February 2013 revised policy on disclosure and access to information, the AfDB posts audited project accounts of sovereign projects, overview assessments of project performance, and all reports by the independent evaluation group on its website. The AfDB's website currently provides information on over 820 different projects, with over 7,900 documents available. As of end-2012, the AfDB website had been visited 2,936,052 times. The AfDB received 7,200 requests for public access to documents, or about 20 requests a day. The AfDB typically responds to these requests within seven days, with an average response time of three to four days.

Question 23: Please provide the current level of budget support at each bank for 2011, 2012, and projected for 2013.

	2011	**2012**	**2013 (projected)**
	Amount ($ billions)	**Amount** ($ billions)	**Amount** ($ billions)
World Bank (IBRD/IDA commitments)	$11.6	10.3	$8.6 - $9.3
Inter-American Development Bank	$1.7	$2.3	$1.9
Asian Development Bank	$0.96	$2.5	$2.0
African Development Bank	$1.7	$0.3	$0.3

Question 24: Please update the FY12 chart for each MDB for which the U.S. has agreed to a General Capital Increase. Please use the most recent information in a narrative describing each institution's implementation of specific reforms agreed to as part of its General Capital Increase agreement.

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Please find attached in Annex 3.1 five General Capital Increase (GCI) reports that we have provided to Congress that describe the implementation of specific reforms agreed to as part of each GCI agreement. The responses below provide updated information not available in these reports.

World Bank

World Bank GCI reform commitments have focused on results, openness, and accountability. Some key elements:

- *Sound Finances:*
  - Financial framework. **Status**: World Bank management adopted a new financial framework in 2010 that makes major financial decisions take into account implications for the administrative budget, pricing of loans, and net income transfers in a unified, comprehensive analysis. This is an important improvement over previous practice, which considered these matters separately. World Bank management and the Board of Directors used the latest capital adequacy framework to confirm that the administrative budget, loan pricing, and transfers to IDA were consistent with long-term capital adequacy. To further improve the process, management is revising the model that it uses to make capital adequacy projections in order to reduce volatility in long-term projections. Loan prices now cover a larger share of the World Bank's administrative budget.

- *Effective Management and Governance:*
  - Human resources. **Status**: The World Bank has adopted and begun to implement human resource reforms to more strongly link the performance evaluation process to reflect results. For example, the World Bank has introduced clear links to the Corporate Scorecard to enable regular assessments of performance. The Bank's comprehensive compensation and benefits review will run through Bank fiscal year 2014 (June 2014).

  - Results. **Status**: While the new systems and tools continue to be refined, the World Bank is making substantial progress in becoming a more results-oriented institution. The World Bank's key tool for reporting results is the "Corporate Scorecard", introduced Bank-wide in fall 2011. The Corporate Scorecard uses an integrated results and performance framework, which is organized in a four-tier structure that groups indicators along the results chain. Two of the tiers track elements of development results (Tiers I and II), and the other two capture elements of performance (Tiers III and IV). The Corporate Scorecard monitors, at an aggregate level, whether the World Bank is functioning efficiently and adapting itself successfully (Tier IV), and whether it is managing its operations and services effectively (Tier III) to support countries in achieving results (Tier II) in the context of global development progress and priorities (Tier I). It presents a

high-level view and is not intended to provide country- or activity-level information. The first bi-annual discussion of the World Bank's performance in generating development results based on the Corporate Scorecard was held with the World Bank Group President and the Executive Directors in December 2012.

- *Transparency and Accountability:*
  - Beneficiary Feedback. **Status:** An expanding number of World Bank operations are receiving formal beneficiary feedback, consistent with a key commitment under last year's "Modernization Agenda." In World Bank fiscal year 2012, 44 percent of the World Bank's projects included a mechanism for beneficiary feedback during project implementation, up from 22 percent year. Increasingly, monitoring through direct beneficiary feedback is being built into the projects: customer feedback on delivery of public services via cell-phone reporting is now being supported in Bank projects in Tanzania, Moldova, Dominican Republic, the Democratic Republic of the Congo, Brazil, and Indonesia.

- *Focus on Core Missions:*
  - World Bank Group Goals and Strategy. **Status**: Ahead of the 2013 World Bank-International Monetary Fund (Bank/Fund) Spring Meetings, the Bank reaffirmed its core mission of a world free of poverty by defining two specific goals as part of its new "Common Vision for the World Bank Group." This common vision targets a reduction in the percentage of people living on less than USD 1.25 a day to three percent by 2030 and promotes the income growth of the bottom 40 percent of the population in every country. These corporate goals are meant to guide the development of a unified strategy to focus World Bank Group activities and resources on achieving its mission. World Bank management has indicated its intention to finalize the strategy by the time of the 2013 Bank/Fund Annual Meetings in October 2013. This strategy will build on the World Bank's Modernization Agenda, launched in 2010, as well as the 2013 reforms in the International Finance Corporation (IFC) and the Multilateral Investment Guarantee Agency (MIGA) that focus on improved client and on-the-ground engagement. These efforts are leading the four main parts of the World Bank Group – International Bank of Reconstruction and Development (IBRD), International Development Association (IDA), IFC, and MIGA – to work together more cohesively.

Inter-American Development Bank (IDB)

As a key element of the GCI for the IDB, the United States succeeded in securing a strong institutional reform agenda, which includes the reforms outlined below. The independent Office of Evaluation and Oversight (OVE) has undertaken an unprecedented and comprehensive review of every reform agreed to as part of the GCI. The OVE delivered a comprehensive report to Governors in March 2013. Overall, the evaluation finds that the IDB has fully implemented

almost all of the agreed reforms. However, OVE finds that the effectiveness of the reforms is mixed. In a series of 22 papers, OVE evaluates each mandated reform in detail.[1]

- *Sound Finances:*
  - Income Management Model. **Status:** The IDB has fully implemented its commitment to adopt a comprehensive income management model that allocates income and adjusts loan pricing to cover: (1) the IDB's complete lending and grant programs, (2) minimum annual transfers of $200 million to the grant facility for Haiti, (3) a capital accumulation rule that preserves the financial soundness of the IDB, (4) all administrative expenses, and (5) requirements of the Capital Adequacy Policy. Under this model, decisions on budget, programming, and loan charges will all be made simultaneously. This model has helped to align borrower and non-borrower interests in budget efficiency at the IDB.
- *Effective Management and Governance:*
  - Development Effectiveness. **Status:** In 2011, the Board of Directors approved a new development effectiveness matrix for all project loans, which will greatly improve the Bank's ability to measure the success of its programs. In addition, under the Bank's guidelines, only projects that meet quantitative minimum development effectiveness threshold can be brought forward to the Board of Executive Directors. As a result, all projects now brought to the IDB Board include an ex-ante development effectiveness matrix. IDB management is currently working on a project completion report that will better link to goals that are set ahead of project implementation, giving the Bank a fuller picture of its successes and lessons learned.
  - Safeguards. **Status:** An independent advisory group (IAG) submitted a report on the Bank's environmental and social standards in February 2011, which concluded that the IDB's policies were adequate and no policy revisions were needed. Additional recommendations made by the IAG focused on strengthening safeguards implementation and mainstreaming sustainability. Since that report, according to a recent evaluation by OVE, IDB has made considerable progress, but still has more work ahead on a longer-term agenda for sustainability. The creation of a Sustainability Working Group has helped raise Management's overall awareness of sustainability issues and increased the focus on the cross-cutting nature of social and environmental sustainability. The IDB has also increased budgetary resources for additional safeguards and sustainability issues training for bank staff and for Board members.
  - Macroeconomic Sustainability Assessments (MSAs). **Status:** The Board approved the MSA mechanism in December 2011 in response to the Governors' mandate to safeguard against lending into unsustainable environments. After two years of this programming based on MSAs, OVE's evaluation found that, while fully implemented, the MSA did not effectively meet the Governors' mandate,

[1] http://www.iadb.org/en/office-of-evaluation-and-oversight/mid-term-evaluation-of-idb-9-commitments,7990.html

citing overlap with IMF surveillance, high cost, and loopholes in the process as several shortcomings. OVE recommended that the IDB rethink the process. The Board of Directors has formed a task force to look at the concerns raised by OVE to come up with proposals on a way forward.

- *Transparency and Accountability:*
  - Disclosure. **Status**: On January 1, 2011, the IDB implemented a new disclosure policy that includes: (1) the replacement of a "positive list" of disclosed policies with a limited "negative list," (2) release of Board/Committee minutes, (4) an independent appeals mechanism, (5) voluntary disclosure of Executive Director's statements, and (6) disclosure of project-level results. OVE's evaluation of the new policy gave it high marks, but highlighted one key loophole under which a country could potentially block the publication of documents considered to contain sensitive, country-specific information. IDB Management agrees with OVE and will bring forward a proposal to address this concern.
  - Inspection Mechanism. **Status**: In September 2010, the IDB Board reformed the bank's Inspection Mechanism to assure its independence, mandate, and accessibility. OVE's report found significant concerns with the effectiveness of the mechanism, specifically related to gaps in the policy and lack of clear leadership. The Board is in the process of hiring an external consultant to help the Board with revising the inspection mechanism's policy. The Board is also searching for an interim director to oversee operations during the policy revision period.
- *Focus on Core Mission:*
  - Institutional Priorities. **Status**: As part of the GCI-9, the IDB affirmed five institutional priorities: (1) reducing poverty and inequality, (2) ensuring sustainable development and addressing sustainable energy and climate change, (3) addressing the special needs of the poorest countries, (4) promoting regional integration, and (5) fostering development through the private sector. To institutionalize these priorities, the IDB Board approved sector strategies and notional lending targets in December 2011 for: (1) regional integration infrastructure and technical assistance, (2) better education performance, (3) broader private sector access to finance, particularly for SMEs, (4) renewable energy, and (5) climate change adaptation and mitigation. Further, Management has integrated the notional lending targets into performance evaluations and budgeting policies.

Asian Development Bank (AsDB)

The AsDB agreed to a set of reforms in the context of the GCI to support improved governance, efficiency, and delivery of assistance to its developing member countries. Key elements are:

- *Sound Finances:*

- Risk Management. **Status**: The AsDB has elevated the bank's risk management function to report directly to the President and increased attention to risk management during the preparation of bank projects. During 2010-2012, the AsDB prioritized an increase in staffing for credit risk management. This function accounted for about six percent of all new staff positions at the AsDB during this three-year period. In 2012, the AsDB put in place new technology to improve its risk management, investment, and counterparty risk reporting.

- *Effective Management and Governance:*
  - Human Resources Reform. **Status**: The AsDB is currently implementing its human resources action plan along with its "People Strategy," which will consolidate and improve key corporate goals and accountability. The bank is also implementing its strategy to increase the percentage of women in professional positions, and has met its interim target.
  - Safeguard Policy Commitments. **Status**: A revised safeguard policy became effective in January 2010. This new policy, which has been harmonized with the safeguard policies of other MDBs, requires that all projects have environmental impact assessments at least 120 days prior to Board approval, consistent with the Pelosi Amendment. Since January 2010, the AsDB has added 40 staff positions for safeguard work and more than 800 staff have received safeguard training.

- *Transparency and Accountability:*
  - Sanctions Policy. **Status**: A complete list of firms and individuals that have violated the terms of their debarment or whose current location cannot be identified can be found on the AsDB's website. The AsDB and other MDBs are working together to coordinate mutual enforcement of debarment decisions.
  - Audit Reform. **Status**: AsDB Management and the Board have taken steps to strengthen the independence of the Office of the Auditor General (OAG), whose organizational independence was confirmed by the Auditor General in its Annual Report. The OAG is taking steps to strengthen the office based on recommendations made by a peer review team from the Institute of Internal Auditors. These recommendations include improving risk assessment and documentation processes, expanding fraud-related training, and expanding the use of computer-assisted audit techniques. In addition, the Office of Anticorruption and Integrity continues to report quarterly to the Audit Committee of the Board. We believe that pending staffing changes in several key accountability roles will increase strength and independence of these offices.

African Development Bank (AfDB)

During negotiations of the GCI, AfDB Management agreed to a robust set of institutional reforms. An updated matrix of key GCI reform commitments can be found in Annex 3.2. Key elements are:

- *Sound Finances:*
  - Balance Sheet Flexibility. **Status:** At the urging of the United States, Management by updating their financial policies in line with the practice of other MDBs.
  - Risk Management. **Status:** The enterprise risk management dashboard, completed in December 2012, provides a comprehensive view of all the key risks faced by the institution (including credit, market, liquidity, capital management risks), and highlights areas of concerns to be monitored. In addition, the Credit Risk Committee (CRC) became fully operational beginning in the third quarter of 2012. It meets on a regular basis, generally weekly, and has strengthened the assessment of credit risk issues, particularly for private sector operations. The CRC also oversees country risk ratings/reviews, overall portfolio credit risk monitoring, and waivers. In addition, the AfDB has acquired an integrated platform to enhance and automate the credit risk process.
- *Effective Management and Institutional Reforms:*
  - Results. **Status:** In May 2013, the AfDB published its third Annual Development Effectiveness Review (ADER), which assesses the AfDB's developmental impact by providing an overview of Africa's development trends and describing the AfDB's contributions to those results. Similar to the World Bank's Corporate Scorecard, the ADER uses four tiers: (1) level one measures Africa's overall development progress in nine areas, including growth, human development, and public service delivery; (2) level two presents the aggregate outputs of AfDB operations in the same nine areas, showing how the bank has contributed to Africa's development; (3) level three assesses how well the AfDB manages its portfolio of operations; and (4) level four describes how well the bank manages its institutional effectiveness, measured against progress in areas like decentralization and human resource management. The ADER concluded that the bank has improved the degree of supervision of its operations, with the level of problem projects declining to below five percent in 2012. In addition, the overall proportion of operations rated satisfactory reached 93 percent, a major improvement over 2010 and just short of the AfDB's target of 95 percent. However, both the disbursement ratio—representing the overall pace of disbursement— and the average lapse of time between approval and first disbursement remain a cause of concern. The bank is conducting a study on first disbursement to better understand why the lapse of time is so long, and to formulate appropriate measures to address this weakness.
  - Human Resources (HR) Reforms. **Status:** In December 2011, the AfDB Board, with U.S. support, adopted a new compensation framework. Specific areas of improvement include: (1) eliminating a specific salary target as a percentage of

World Bank/other MDB salaries, (2) adopting broader measures of market competitiveness, and (3) strengthening the links between performance and compensation. In April 2012, the AfDB adopted a strategy to strengthen its recruitment and retention processes. Nevertheless, human resources management remains one of the AfDB's biggest challenges. Both its premature attrition rate—staff leaving before completion of their first contract, as a share of total departures—and the vacancy rate, which stands at 15 percent, have made it difficult for the bank to make progress in this area. We have also been vocal about the low proportion of women among professional staff and within management.

- *Transparency and Accountability:*
  - Governance and Anti-corruption. **Status:** As part of the process of implementing the June 2012 sanctions policy, in December 2012, the AfDB Board approved the appointments of the new independent Sanctions Commissioner and the members of the Sanctions Appeal Board. The AfDB has updated its website to show the cross debarments with other MDBs. The United States also pressed the AfDB to delegate cases of staff misconduct that do not constitute fraud or corruption to human resources personnel, enabling the Integrity and Anti-Corruption Department (IACD) to dedicate its time to corruption cases. In February 2013, the Human Resources Committee considered a proposal to establish a new office that would be responsible for these cases of misconduct. In addition, the AfDB has taken steps to strengthen IACD by creating two separate divisions, a preventative division and an investigation division. Finally, IACD is developing key performance indicators so that its effectiveness can be measured.
  - Disclosure Policy. **Status:** The AfDB is implementing a new policy on disclosure and access to information. In line with best practices across the MDBs, the new policy includes a shift from a "positive list" approach, in which disclosure is considered exceptional, to a presumption of disclosure, or "negative list" approach, in which disclosure is considered the default. The policy sets deadlines for responding to requests for information and establishes an appeals process for requests that are denied. The AfDB released detailed guidelines to staff since the last report and has begun its information campaign both within the bank and outside.
- *Focus on Core Mission:*
  - Long-Term Strategy. **Status:** The AfDB has completed a Long-Term Strategy (LTS) covering the period 2013–2022, based on consultations with AfDB staff and outreach meetings with representatives of government, civil society, the private sector, and academia. The strategy will provide a framework for operational selectivity by consolidating the bank's success in infrastructure, regional integration, governance, and private sector development, while striving to respond to the changing needs of a diverse continent that includes fragile states, newly emerging frontier markets, and North African nations in transition. With

an overarching focus on inclusive and green growth, the AfDB will also move away from a focus on outputs to one that is more outcomes-oriented. Through the LTS, the bank will strive to expand its ability to measure and communicate results as the key driver of institutional performance.

Question 25: What level of US assistance in the past three years has been provided bilaterally to foreign countries in order for them to repay the MDBs? Please provide a chart, the year funds were provided, and a description of debt paid off.

Cash transfers provide budget support in order to promote U.S. foreign policy objectives. Each cash transfer is generally linked to a specific purpose which can range from payment of debt (either to an MDB or another party) to the purchase of commodities. A key element in determining where the cash transfer is directed is an ability to have effective oversight. The payment of MDB debt is preferred because it is easier to monitor and confirm that funds were used for their intended purpose. Regardless of the precise use, any cash transfer provides some fiscal support to the extent it offsets expenses. Cash transfers are usually tied to policy considerations and often to reforms we want to see.

One example of using a cash transfer to service MDB debt in the last three years was the Lebanon cash transfer. In that operation, funds were transferred in 2008 and 2009 to pay for the servicing of World Bank debt. We have also provided a cash transfer to Jordan annually as part of our bilateral assistance package. One category of debt that Jordan's cash transfer can be used to pay includes (both current and refinanced) debt owed to multilateral financial institutions such as the IMF and the International Bank for Reconstruction and Development (IBRD). Payments from the cash transfer program are prioritized to first meet any debt owed to the U.S. government and to then pay debt owed to multilateral financial institutions.

Cash transfers constitute an important tool to support transitioning countries while they are dealing with fiscal strain, as do loan guarantees and debt relief.

Question 26: For the World Bank, please list the ten largest recipient countries of budget support, or Development Policy Loans (DPL) as referred to by the World Bank, in 2012. Please provide a corresponding narrative of each country's adherence to the 2004 World Bank operational policy for DPLs.

The top ten recipients of World Bank DPLs in World Bank FY 2012 are listed in the table below. All borrowers that seek approval for DPLs must show that they are in compliance with the 2004 DPL policy. After the project is approved, the World Bank creates an "Interim Completion Report" that assesses the DPLs' success rate and compliance with policies during implementation. As the DPLs approved in WB FY 2012 do not yet have Interim Completion Reports, it is not yet possible to provide a corresponding narrative on compliance with the 2004 DPL policy.

House Committee on Appropriations Subcommittee on State, Foreign Operations, and Related Programs
Hearing on the Department of the Treasury FY 14 Budget Request
Questions for the Record (QFRs) for Treasury Secretary Jacob J. Lew
Hearing Date: April 24, 2013

2012 Program	
Country	**Development Policy Loans (DPLs)** (dollars in millions)
1. Indonesia	$2,400
2. Romania	$1,894
3. Brazil	$1,550
4. Poland	$991
5. Mexico	$902
6. Turkey	$600
7. Philippines	$500
8. Colombia	$300
9. Uruguay	$260
10. Jordan	$250

Question 27: For the Inter-American Development Bank, please list the ten largest recipient countries of budget support, or policy-based loans. Please provide a corresponding narrative of each country's adherence to the 2005 formal guidelines for such lending.

2012 Program	
Country	**Policy Based Loans (PBLs)** (dollars in millions)
1. Brazil	$800
2. Panama	$450
3. Guatemala	$234
4. Colombia	$200
5. El Salvador	$200
6. Paraguay	$100
7. Peru	$90
8. Bolivia	$78
9. Nicaragua	$45
10. Suriname	$35

In accordance with the IDB's 2005 Guidelines for PBLs, all countries have undergone fiduciary capacity assessments. In addition, prior to awarding each PBL, the IDB determined that the country's macroeconomic policy framework was appropriate based on written assessments from the IMF or Article IV IMF assessments.

Question 28: For the African Development Bank (AfDB), please list the ten largest recipient countries of budget support, or policy-based loans. Please give an update on the AfDB's new operational policy governing budget support and how each country's portfolio will be revised to adhere to this new policy.

The ten largest recipient countries of AfDB budget support in 2012 are listed in the table below.

Country	2012 Program Loans/Grants (dollars in millions)
1. Tunisia	$505
2. Ethiopia	$255
3. Morocco	$157
4. Morocco*	$138
5. Benin	$46
6. Malawi	$40
7. Niger	$33
8. CAR	$25
9. Burundi	$18
10. Comoros	$3

Note:

Original figures are in Unit of Account (UA), the AfDBs equivalent of SDR, and converted above using the end-2012 rate of 1UA=1.53USD. Amounts are rounded to the nearest $ million.

**Sector Budget Support*

In accordance with a new policy adopted February 2012, the AfDB assesses three key areas when auditing budget support operations, including: country auditing systems, supervision arrangements based on quantifiable output and outcome indicators, and financial reporting consistent with full disclosure on fund utilization. The AfDB has strengthened its results monitoring process to include joint reviews with other donors to measure the performance of these operations.

Topic 6: World Bank Program for Results (P4R)

Question 29: Have there been any applicants to date for P4R financing? Who are they and for what level and types of funding?

Since the launch of the World Bank's Program for Results (PforR) instrument in January 2012, seven operations in five sectors have been approved, totaling $1.03 billion in IDA/IBRD commitments and leveraging another $1.4 billion in government and partner funding. Total funding falls well within the agreed upon five percent cap for all bank lending. The World Bank Executive Board, with U.S. support, reviewed and approved these PforR projects. None of these projects, which are detailed below, is a Category A project with significant adverse environmental impacts, as agreed when we approved the PforR instrument.[2]

[2] A proposed project is classified as Category A if it is likely to have significant adverse environmental impacts that are sensitive, diverse, or unprecedented. These impacts may affect an area broader than the sites or facilities subject to physical works.

- *Ethiopia*: This PforR project provides $100 million in performance-based assistance to improve the delivery and use of a comprehensive package of maternal and child health services. The Health Millennium Development Goals (MDG) Program will help to accelerate progress towards meeting the maternal health MDG, sustain the gains made in the child health MDG, and strengthen health systems in Ethiopia. World Bank financing is being pooled with the MDG Performance Fund, comprised of nine development partners. In addition, technical support for strengthening monitoring and evaluation systems, especially for the annual rapid facility assessments, will be provided through a World Bank administered Health Results Innovation Trust Fund grant.
- *Morocco*: A $300 million loan will contribute towards the second phase of the $2.1 billion government of Morocco National Initiative for Human Development (INDH). The project finances income-generating activities, improved access to basic services, and key infrastructure in the poorest regions of Morocco.
- *Nepal*: A $60 million loan to the government of Nepal will support the Department of Roads $147 million strategic roads network bridge program. The project supports the country's vision of providing safe, reliable, and cost-effective bridges. It will maintain 89 bridges, many over 35 years old, complete major and minor maintenance on more than 300 bridges, and construct 121 new bridges.
- *Tanzania*: This project provides $255 million in performance-based assistance to 18 (out of 26) Urban Local Government Authorities in Tanzania to improve urban service delivery. Local governments will use grant proceeds to improve roads, public spaces for market and trade, and solid waste management, among other small-scale infrastructure.
- *Uganda*: This project provides $150 million to improve the institutional performance of Program Local Governments to improve urban service delivery. The project includes: road rehabilitation and upgrading; urban solid and liquid waste management; water and sewerage extension to peri-urban areas, markets, and abattoirs; and bus, truck, or taxi stands.
- *Uruguay*: A $66 million loan supports the existing road rehabilitation and maintenance program, which will rehabilitate and maintain the national road infrastructure and improve public sector capacity to plan, regulate, and monitor transport and logistics services. The project supports the government's broader strategy of improving the quality of road infrastructure and increasing coverage.
- *Vietnam*: This PforR project provides $200 million in performance-based assistance to expand access to water supply and sanitation services to rural areas in eight Vietnamese provinces. As part of The National Target Program Project, this funding will provide safe clean water for 1.7 million people and improved sanitation for 650,000 people living in eight provinces in the Red River Delta. The program will strengthen governance systems for results-based service delivery, as well as gender-based monitoring and reporting.

Question 30: Have any other MDBs proposed a similar lending instrument?

Following the introduction of the World Bank's PforR instrument, the AsDB has proposed a Results Based Lending (RBL) instrument that is similar to the PforR and will support government programs in a particular sector. AsDB will have a six-year pilot program for this new instrument, with a mid-term review three years into the pilot.

As in the case of the World Bank, the AsDB agreed to exclude Category A projects from RBL financing, confirmed that AsDB will have scope to investigate all allegations of fraud and corruption under an RBL-supported program, and required procurement contract thresholds that are at least equivalent to those of the World Bank (*i.e.*, projects whose procurement contracts are above $50 million for works, $30 million for goods, $20 million for IT, and $15 million for consulting services, must be excluded from RBL financing).

IDB is considering a similar PforR instrument, but has not made a proposal.

Question 31: What is the World Bank's cost estimate for initiating P4R? How large a staff will be needed?

Management has not asked the Board for any additional administrative budget or staff for the introduction of PforR. On average, PforR instruments do not have higher administrative costs than standard investment lending operations. As the World Bank proceeds with implementation, we will be monitoring the administrative costs of PforR.

Topic 7: World Bank Doing Business Report

Question 32: The World Bank's Doing Business Report has been measuring the business climate in all the world's countries for the last 10 years—producing one ranking reflecting how easy it is to start a new business, register property, get access to credit, and enforce contracts. What is the current ranking of the "BRIC" nations – Brazil, Russia, India, and China?

Rankings on the ease of doing business in the Doing Business 2013 Report, released in October 2012, show that out of 185 countries China is ranked 91, Russia 112, Brazil 130, and India 132.

Question 33: Please describe the future of the Doing Business Report and efforts by Treasury to ensure this report keeps a unified global ranking?

The Independent Review Panel commissioned by the World Bank to assess the Doing Business Report on its tenth anniversary submitted a draft report to World Bank President Kim in early June. Dr. Kim stated that the panel report will be improved and finalized, and then released to the public in the coming weeks. Dr. Kim also announced that the 2014 Doing Business Report will be published later this year using the existing methodology, including the aggregate country rankings. On behalf of the Administration, Treasury submitted a strong statement of support for the Doing Business Report in response to the Independent Panel's questionnaire.

We see the Doing Business Report and its country rankings as a key instrument for incentivizing business climate reform and creating a better enabling environment for small and medium-sized enterprises. It will be important to keep the report and its country rankings as a World Bank product while working to strengthen the methodology and data collection of the report. I and other senior Administration officials have expressed support for the Doing Business Report and its country rankings directly to President Kim, and we have reached out to other World Bank shareholders to urge them to express their support as well.

Topic 8: World Bank Procurement Review

Question 34: Please give an update on the World Bank's Procurement Review.

The World Bank launched a comprehensive review of its procurement policies in May 2012 to assess how policies should be updated in light of changes in the Bank's lending portfolio, changes in global procurement practices, and development of capacity in some countries to manage procurement processes

As part of this process, the Bank has conducted consultations with stakeholders both in Washington and abroad. U.S. agencies joined consultations with other stakeholders hosted at the Bank, and several agencies (Treasury, USAID, Commerce, and the Millennium Challenge Corporation) met separately with Bank staff in October 2012 to exchange views. In addition, Treasury and the U.S. Executive Director have hosted meetings with U.S. private sector representatives.

The World Bank released a broad framework in April for the procurement review that outlines its objectives of creating an improved and streamlined procurement process, the details of which will be worked out over the coming year. Treasury will maintain a robust engagement with Bank management on this process to help ensure that procurement standards are not diluted.

Question 35: Is the World Bank trying to loosen its procurement standards and move more of its financing through competitive bidding processes in host countries?

While the World Bank is trying to find ways to use country procurement systems when appropriate, its goal is to do so consistent with strong procurement standards. We are deeply committed to identifying the criteria, analysis, monitoring, and recourse mechanisms that are necessary for greater use of country procurement to be consistent with strong procurement standards. It is important to emphasize that the Bank is using the procurement review to examine a broad range of improvements in the effectiveness and efficiency of its procurement policies, many of which we support. For example, the benefits from greater Bank investment in a country's capacity to manage procurement processes will go far beyond individual Bank projects, improving the overall investment climate to the benefit of all investors – including U.S. firms.

Question 36: What is the effect on maintaining transparency and international best practice standards?

The World Bank has long played a leading role in assuring effective and competitive procurement in international development projects, and we are committed to keeping the process for bidding under the World Bank's revised guidelines open, transparent, and fair.

Question 37: Will U.S. companies still be able to receive immediate attention and remedies during the implementation of bank-funded projects if the local entity is not transparent?

During consultations with the World Bank, Treasury has continually pushed to make the complaints mechanism more responsive, and to provide redress to companies in case of lapses in the application of the Bank's high standards of transparency.

Topic 9: Inter-American Development Bank (IDB)

Question 38: What is the status of the implementation of the Global Compliance Services recommendations? Please be specific.

The IDB Board of Executive Directors considered 60 recommendations arising from the Global Compliance report and, on July 5, 2011, approved 56 of them for implementation. Out of the 56 approved recommendations, 40 were allocated to IDB Management for implementation and 16 for implementation by the Board. The IDB has implemented all of the recommendations. For a list of recommendations, please see Annex 4.

Question 39: Has the Code of Ethics at the IDB been suspended at any point in the past 18 months?

There has not been a suspension during the last 18 months or at any other time since the current Code of Ethics and Professional Conduct was adopted in 2007.

Question 40: What is the level of funding committed by donors for the Crossroads Fund that was created to spur economic growth in Central America?

To date, the Bank has received all pledges for a total amount of USD 21.98 million. In addition, these direct contributions generated USD 21,519 in income from investments by December 31, 2012.

Table 1 - Lifetime Contributions Received

Donor	Country	Amount (million

		USD)
Agencia Presidencial de Cooperación Internacional de Colombia	Colombia	2.00
Canadian International Development Agency (CIDA)	Canada	9.98
Ministerio de Hacienda y Crédito Público de México	Mexico	3.00
Ministerio de Economía y Competitividad	Spain	2.00
U.S. Department of Treasury	USA	5.00
Total		**21.98**

Question 41: Please list any projects funded by the Crossroads Fund to date.

There are three approved projects funded by the Crossroads Fund to date, and six projects declared eligible that will come forward in 2013.

Approved:

1. Support to the Strategic Agendas on Integration (USD 600,000)
2. Capacity Building Program on Integration (USD 1,450,000)
3. Pre-Feasibility Study for the Northern Arch Interconnection Project (USD 1,900,000)

In Pipeline

1. Support to National Logistics Plans in Mesoamerica (USD 1,000,000)
2. Support to Panama Logistics Plan (USD 450,000)
3. Support to Integrated Border Management in Mesoamerica and in the Andean Region (support to software investments) (USD 1,000,000)
4. Support to the Implementation and Strengthening of the Authorized Economic Operator (AEO) in Mesoamerica and the Dominican Republic. (USD 600,000)
5. Harmonized Caribbean Spectrum Planning and Management (USD 1,000,000)
6. Support to Border Crossing Improvements in Mesoamerica (support to hardware investments) (USD 1,400,000)

Topic 10: North American Development Bank (NADBank)

Question 42: What is the Administration doing to promote the use of the NADBank and require it to do more to help the people living along the U.S.-Mexico Border?

The Administration has led an effort to encourage the NADBank to launch a new grants facility, called the Community Assistance Program (CAP), to support basic water, wastewater, and solid

waste needs in low income communities that otherwise would not be eligible for NADB debt financing.

Since the launch of the CAP program in 2011, NADBank has been able to provide small grants to local towns to enable them to complete discrete infrastructure projects, such as replacing sewage-pumping systems to avoid groundwater contamination in Brawley, California, and building new water transmission lines to integrate potable water supplies in San Luis, Arizona.

More broadly, NADBank has also supported financing basic infrastructure needs in unincorporated neighborhoods (colonias) along the U.S. – Mexico border that are in need of basic services, such as drinking water hookups, wastewater systems, and road rehabilitation.

These efforts help to create jobs and also provide basic services to low income, marginalized communities along the border.

Question 43: What is the annual operating income earned by the NADBank, what are the overhead costs, what is the level of outstanding loans and guarantees, and what is the number of employees for fiscal years 2012 and 2013 (projected)?

The table below provides the requested data for FY 2012 and FY 2013 projected (p).

Year:	FY 2011	FY 2012	FY 2013 (p)
Operating income (before program activities)*	$23,503,136	$12,439,651	$17,470,000
Overhead costs **	$1,737,966	$1,782,317	n/a
Outstanding loans & guarantees	$427,750,111	$869,980,000	$1,177,450,000
Employees	54	55	56

** Operating Net Income (before program activities) is Total Revenues Less Non-Cash Revenues, Interest Expense, and Operating Budget.*

*** Overhead Cost is Operating Budget less Direct Expenses.*

Question 44: Please provide a list of all loans and or programs approved and funded in fiscal year 2012.

See Annex 5.

Question 45: What is the balance of the special reserve and what transactions were made from the Special Reserve in 2011 and 2012?

The Special Reserve is equivalent to three percent of the balance of disbursed loans, one percent of undisbursed loan commitments, and three percent of the balance of guarantees (if any). The special reserve is established by transfers from retained earnings. Amounts in the special reserve

are to be used to pay costs associated with the enforcement of the NADBank's rights under its loan and guaranty agreements, and to offset losses on any loan or guaranty.

The balance of the Special Reserve was $27,297,602 and $13,454,495 as of December 31, 2012 and 2011, respectively. To date, no transactions have ever been made from the Special Reserve. The increase of $13,843,107 in the Special Reserve from 2011 to 2012 is due to the increase in the loans outstanding and undisbursed loan commitments as of December 31, 2012, compared to December 31, 2011.

Question 46: What are the unobligated and unexpended balances of the NADBank's Community Adjustment and Investment Program (CAIP)?

The CAIP available balance that was unobligated and unspent as of December 2012 was $4,533,806.

Question 47: How many employees are paid for out of CAIP funding?

In 2012, a total of 1.6 full time equivalent (FTE) employees were funded by the CAIP in addition to a pro rata share of the NADB's administrative and operating expenses (including, for example, technical support and accounting).

Question 48: Please provide a detailed list of all CAIP funding projects in FY2012.

Targeted Grants approved in 2012

$100,000	Technical Assistance – capacity building	California Community Economic Development Association, Los Angeles, California (service area in AZ and TX)	92 FTE jobs created
$295,927	Project – virtual incubator for rural businesses	Georgia Southern University Research and Service Foundation, Statesboro, GA	20 FTE jobs created, 75 FTE jobs preserved
$200,000	Project – small manufacturing assistance	Northern Initiatives, Marquette, MI	246 FTE jobs created
$595,927			**75 FTE jobs preserved** **358 FTE jobs created**[3]

Additionally, the CAIP provided $159,489 in fee offset for 19 Small Business Administration guaranteed loans to small businesses in CAIP-eligible areas in Arizona, New Mexico, and Texas. The total amount of these loans was $7,205,538, which is expected to result in the creation of 188 new jobs.

[3] Job creation and retention numbers are reported by grant applicants and reviewed as part of the grant review process.

Topic 11: UN Green Fund

Question 49: Please describe the status of current negotiations to establish a Green Climate Fund at the UN.

In December 2011, the Conference of the Parties of the United Nations Framework Convention on Climate Change (UNFCCC) decided to establish a Green Climate Fund (GCF). In 2012, the 24-country GCF Board was selected; the United States has its own seat on the Board. The GCF Board chose Korea as the host country for the GCF. The GCF Board is presently working to make decisions on how the GCF will be structured. The first Board meeting of 2013 was held in March, two more are planned for June and September 2013.

Question 50: What is the status of efforts to establish immunity for this fund as part of the UN, thereby shielding the Fund from the legal process in countries where it operates?

The Green Climate Fund Board is working to ensure that the Fund is accorded such privileges and immunities as are necessary for the fulfillment of its purposes. To this end, the GCF Board is currently working with Korea, the host country of the GCF, to finalize a headquarters agreement, which is expected to provide appropriate privileges and immunities for the Fund, its property, and its staff in Korea. The GCF is also currently considering options for how best to secure appropriate privileges and immunities in countries in which it will operate, and is considering how privileges and immunities are accorded to other institutions.

Question 51: What is the expected annual budget for the Secretariat of the Green Climate Fund and how will funds be contributed?

Since the Green Climate Fund is still in the early planning stages, and its operational modalities have not been established, it is not possible to make an assessment of the annual budget for the Secretariat. The mechanisms through which countries may decide to contribute to the Fund have also not yet been decided.

Question 52: What is the source of funds for the establishment of the Green Climate Fund secretariat?

The Green Climate Fund (GCF) Interim Secretariat has been funded through $8.24 million in country pledges as well as a redirection of $1.3 million in unspent funding that had been provided to the Transitional Committee (TC) of the United Nations Framework Convention on Climate Change (UNFCCC). The TC was established in 2010 as a short-term body to design the GCF.

$8.24 million in direct pledges come from Australia, Denmark, Finland, France, Japan, Germany, Korea, the Netherlands, Norway, Sweden, and the United Kingdom.

The United States has not pledged any funding to the GCF Secretariat. Of the $1.3 million of funds that were transferred to the GCF Interim Secretariat, $277,000 is comprised of funds provided by the United States.

Topic 12: Debt Restructuring

Question 53: What are the unobligated and unexpended balances in the Debt Restructuring account at the end of fiscal year 2012?

The unobligated and unexpired balance in the Debt Restructuring Account at the end of FY 2012 was $29,137,433. Of this amount, $28,463,050 remains available for the Tropical Forest Conservation Act (TFCA) and $674,383 remains available for other debt reduction activities authorized by Congress. We expect to obligate all of the remaining TFCA balance this fiscal year. Almost all of these funds are allocated toward the cost of a TFCA agreement that we are now negotiating with the Philippines and expect to sign within the next two months. The small remainder ($200,000) is allocated for TFCA audit and evaluation purposes.

The obligated and unexpended balance in the Debt Restructuring Account was a total of $116,717,698 at the end of FY 2012, of which $64,754,126 was unexpired and $51,963,572 was expired. Unexpired funds will be outlayed when requested by U.S. creditor agencies.

Question 54: Please list the source of funding (i.e., year of appropriation) for all unobligated balances.

Of the $29,137,433 in unexpired and unobligated balances at the end of FY 2012, $16,463,050 was provided in 2011 and $12,000,000 was provided in 2012. The remainder, $674,383, is "no year" funds that were part of a $224 million FY 2002 appropriation for the HIPC Trust Fund.

Topic 13: International Finance Corporation (IFC)

Question 55: Please describe the latest measures taken by the IFC to implement the IFC Sustainability Framework.

The IFC's revised Sustainability Framework entered into force in January 2012, and applies to all investment and advisory clients whose projects go through IFC's initial credit review process after January 1, 2012. As part of the roll-out of its updated Sustainability Framework, IFC undertook an extensive internal outreach to staff through the Sustainability Framework Learning Program (SFLP) which reached close to 1000 staff from investment and advisory operations. IFC has also continued to engage with stakeholders who have adopted the Performance Standards as their reference framework for environmental and social management, including through the sixth edition of the Community of Learning event.

Question 56: What was the 2012 level of financing provided by the IFC to private equity funds and for what purpose? Please be specific and descriptive.

In its fiscal year 2012, the IFC provided $403 million in financing to private equity funds. The IFC continued its strategy of selectively using private equity as an instrument for promoting poverty reduction. A commonly used tool for promoting leverage in IFC's investments, private equity is used for small and medium enterprise lending, financial sector support, and other sectors that require long-term investments, such as regional infrastructure.

As a recent example, in February 2013 the IFC invested $40 million in a private equity fund that will invest in Sub-Saharan African companies, supporting economic development, job creation, and regional integration. The fund will aim to invest primarily in IDA countries. It will invest in various sectors including consumer goods, healthcare, financial institutions and business services, as well as telecommunications, media, and technology.

Topic 14: Global Environment Facility

Question 57: There is a prohibition on assistance to state sponsors of terrorism, which includes Iran. Yet, in 2011 and again this year, grants have been made available to Iran through the GEF – the Global Environment Facility at the World Bank. Given the statutory prohibitions on assistance to Iran, how did GEF funding to Iran get approved?

The United States opposes GEF funding for Iran. For projects that come before the GEF Council, the oversight body of the GEF, it is our policy to oppose projects that provide funding for Iran. This opposition is recorded in the public minutes of the GEF Council.

Given our heightened concerns about Iran, we have conveyed to GEF management the U.S. opposition to any GEF funding to Iran- whether requiring Council approval or otherwise. We have been assured that no more commitments will be made to Iran. In fact, the last commitment that was made will not be paid.

Question 58: When statutory prohibitions to foreign assistance are not followed, what are the consequences for U.S. contributions to the MDBs? What should the consequences be?

A violation of a statutory prohibition may prevent the United States from providing appropriated resources to a multilateral institution. However, we are best able to steer the direction of these institutions and influence the scope of their engagement when we meet our commitments in full. For this reason, Treasury continues to believe that statutory prohibitions and mandates weaken rather than enhance U.S. leadership of the MDBs.

Question 59: Is the Administration committed to stopping multilateral assistance from going to state sponsors of terrorism?

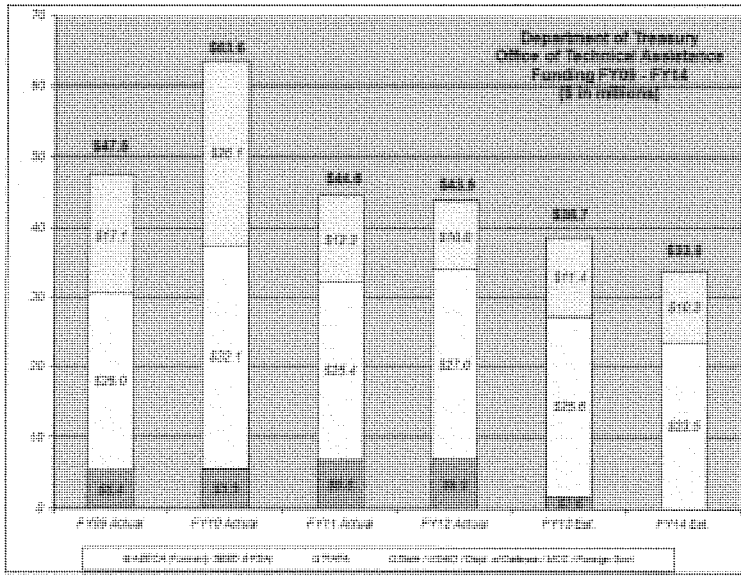
Yes, the Administration is absolutely committed to preventing multilateral assistance from going to state sponsors of terrorism. To this end, Treasury has actively opposed lending to these countries and has sought the cooperation of other members to support our efforts.

Topic 15: Treasury Technical Assistance

Question 60: Please provide a list of all sources of funding for the program in 2012, estimated for 2013 and projected for 2014.

The Office of Technical Assistance (OTA) receives funding from a direct appropriation – Treasury International Affairs Technical Assistance or TIATA – as well as transfers, primarily from other U.S. agencies, such as the Department of State and U.S. Agency for International Development (USAID). Annex 6 provides detail on all of OTA's sources of funding.

As shown in the chart below, TIATA is the single largest resource available to OTA for pursuing its mission. The direct appropriation is critical to the sustainability and ultimate success of Treasury's technical assistance program, particularly as OTA has experienced significant decreases in transfers from other agencies in recent years. In 2012, for example, funding received by OTA through interagency transfers declined by 31 percent compared to the average level of funds received in the preceding three years.



Question 61: How will the budget cuts requested in FY14 be distributed by region?

It is too early to know which specific countries and projects would be scaled back or terminated. Such decisions would be made as part of the program's ongoing assessment and review process, which is based on criteria and considerations that include: the continued need for technical assistance, evidence of counterpart commitment to reform and good use of assistance, whether the project complements other projects in a particular country or region, and the relation of the project to Treasury policy priorities and broader U.S. goals.

Ultimately, the number of projects that OTA will be able to support globally in FY 2014 will depend on the program's total resources – both from its direct appropriation and transfers from other agencies. The President's Budget is based on the expectation that inter-agency funding – transfers from other agencies to OTA – will offset, at least partially, the proposed reduction in OTA's direct appropriation.

Question 62: Does the request reflect a decision to pull Treasury advisors out of the Middle East North Africa region?

The request is not based on any decision to scale back efforts in the Middle East and North Africa (MENA), or any other region. Rather, the Budget request reflects the constraints of the current fiscal environment. Consistent with U.S. policy, OTA remains committed to assisting MENA countries in transition. For example, last year OTA initiated engagements in the Arab Spring countries of Tunisia and Libya. Ultimately, these projects were interrupted because of security constraints, but OTA stands ready to reengage in these and other Arab Spring countries in response to requests for assistance and as conditions allow. OTA continues to maintain a presence in Iraq – although the level of assistance has been reduced in line with the broader draw-down of the U.S. engagement. Recently, the program strengthened its engagement in Palestine, where it is helping the authorities to build up an anti-money laundering and counter-terrorist financing regime.

Question 63: Please discuss the accomplishments of the Treasury advisors in the Middle East and contrast with what is expected from the program in the new Transition Fund at the World Bank.

Treasury advisors have been engaged in the MENA region for many years, dating back to the U.S.-Saudi Arabian Joint Commission on Economic Cooperation in the 1970s. More recently, OTA has provided technical assistance to countries such as Algeria, Egypt, Iraq, Jordan, Morocco, Palestine, and Tunisia. The program's work is focused on building capacity in its areas of expertise: strengthening institutions responsible for revenue, budget, debt, and financial sector oversight, and combating economic crimes.

Some recent examples of OTA assistance in MENA include:

- OTA advisors supported Jordanian anti-money laundering and counter terrorist financing stakeholders during a critical period when the country was enacting mandatory reforms to avoid blacklisting for non-compliance with Financial Action Task Force standards.

Jordan was successful in those efforts and has also been admitted to the Egmont Group of qualifying financial intelligence units.

- At the end of 2012, OTA finished a two-year project in Morocco to develop the anti-money laundering/combating financing of terrorism capability. Advisors trained and mentored bank regulators, industry representatives, and financial intelligence specialists.
- In Iraq, OTA is assisting the tax administration entity in making the monumental shift to a modern system of self-assessment of taxes. Large taxpayers will file their own returns which are automatically accepted but are subject to audit based on objective risk factors. Under the previous system, taxpayers and tax officials met face-to-face to determine tax liabilities, creating an environment conducive to corruption.
- Also in Iraq, OTA is helping the Central Bank develop and implement a data project, which will facilitate electronic submission of bank reporting data and better analytical instruments for examiners and analysts.
- In Tunisia, an OTA advisor was assisting the newly established Financial Stability Department within the Central Bank of Tunisia in strengthening its analytical capacity to address developments affecting the long term stability of the banking system, and modernizing its banking supervision capacity. The advisor only had two weeks to provide assistance to the bank before the political situation deteriorated and the project had to be curtailed. Only limited assistance has been provided by email to the bank since then.

The Transition Fund, which is housed at the World Bank and includes funds from other governments, has a broader mandate. The Transition Fund is designed to support government efforts in a number of areas beyond OTA's expertise, including development of small and medium enterprises, strengthening government interactions with civil society, creating better-targeted social safety nets, and supporting regional trade facilitation.

House Committee on Appropriations Subcommittee on State, Foreign Operations, and Related Programs
Hearing on the Department of the Treasury FY 14 Budget Request
Questions for the Record (QFRs) for Treasury Secretary Jacob J. Lew
Hearing Date: April 24, 2013

Questions for the Record – Rep. Mario Diaz-Balart (R-FL)

Topic 1: Cuba

Question 1: **(a) In 2011, "educational" travel was expanded to include "people-to-people" cultural exchanges and other travel not pursuant to an academic degree. In regard to people-to-people, the stated goal is to "help promote the [Cuban people's] independence from Cuban authorities" (White House Announcement, "Reaching Out to the Cuban People," January 14, 2011). However, itineraries licensed under this exemption consist of meetings with Castro regime operatives and visits to state-controlled institutions. And, schedules do not include meetings with Cuba's pro-democracy activists or independent unionists, artists, librarians, economists, historians, or journalists. Instead, American travelers are shepherded by regime-selected guides along carefully scripted programs.**

(b) U.S. statutory law (Section 910(b) of the Trade Sanctions Reform and Export Enhancement Act of 2000), above and beyond regulations promulgated by any federal agency, expressly prohibits "tourist activities" in Cuba.

Please explain how, in each case below, the following sampling of organizations licensed to provide "people-to-people" or other "educational" travel to Cuba both (a) promote the Cuban people's independence from their Cuban oppressors and (b) comply with the U.S. prohibition against "tourist activities":

- **Insight Cuba's "Jazz in Havana" tour**
  - **http://insightcuba.com/cuba-tours/jazz-in-havana-tour?[object Object]**
- **Insight Cuba's "Weekend in Havana" tour**
  - **http://insightcuba.com/cuba-tours/weekend-in-havana-tour?[object Object]**
- **International Expeditions**
  - **http://www.ietravel.com/north-america-caribbean/cuba/itinerary**
- **Overseas Adventure Travel "Cuba Music and the Roots of Revolution" tour**
  - **http://www.oattravel.com/Trips/2013/Cuba-Music-Culture-Roots-of-Revolution/Trip-and-Air-Details/Itinerary/Santiago-de-Cuba-Baracoa-Havana.aspx#tripNav**
- **Overseas Adventure Travel "Havana and Vinales Valley" tour**

- **http://www.oattravel.com/Trips/2013/Cuba-Havana-and-Vinales-Valley/Trip-and-Air-Details/Itinerary/our-proposed-itinerary.aspx#tripNav**

In order to enhance contact with the Cuban people and support civil society through purposeful travel, the President in 2011 directed policy changes to increase people-to-people contact between Cubans and Americans, including by restoring the specific licensing of educational exchanges not pursuant to a degree program. Licenses for people-to-people travel mandate that the organizations sponsoring trips to Cuba maintain a full-time schedule of educational exchange activities that will result in meaningful interaction with individuals in Cuba, and do not restrict the subject matter of meetings. Organizations seeking a license from the Treasury Department's Office of Foreign Assets Control (OFAC) must describe in the application how the educational and people-to-people exchanges would enhance contact with the Cuban people and/or support civil society in Cuba, and/or help promote the Cuban people's independence from Cuban authorities. These organizations also must certify that the predominant portion of their travel activities will not be with individuals or entities acting for or on behalf of certain defined officials of the government of Cuba or the Cuban Communist Party.

OFAC cannot and does not authorize tourist activities in Cuba. Congress expressly defined "tourist activity" in the Trade Sanctions Reform and Export Enhancement Act of 2000 to mean any category of activity other than those that were, at that time, listed in OFAC's Cuban Assets Control Regulations. People-to-people trips were listed in the regulations at that time as a permissible travel category and therefore Congress recognized that they do not constitute "tourist activity."

Question 2: If the purpose of "people-to-people" travel is to promote the Cuban people's independence from their oppressors, should the Department of the Treasury/OFAC require that licensed organizations include meetings between American travelers with Cuba's pro-democracy activists and independent unionists, journalists, artists, librarians, historians, economists, and other independent members of Cuba's civil society?

The purpose of the specific licensing of people-to-people educational exchanges is to enhance contact with the Cuban people and support civil society through purposeful travel. People-to-people licenses do not restrict the subject matter of the required full-time schedule of activities as long as those activities are educational and will result in meaningful interaction between the U.S. travelers and the Cuban people. Note that applicants must certify in their application that the predominant portion of their travel activities will not be with individuals or entities acting for or on behalf of certain defined officials of the government of Cuba or the Cuban Communist Party.

Question 3: What is the Department of the Treasury/OFAC doing to ensure that these people-to-people trips actually promote the Cuban people's independence from the Castro regime? What assurances and evidence can be provided to demonstrate that people-to-people travel is accomplishing that stated goal?

We believe people-to-people travel advances the goals of the President's 2011 policy changes to enhance contact with the Cuban people and support civil society through purposeful travel, including religious, cultural, and educational travel. People-to-people licenses require the applicant to describe how the educational and people-to-people exchanges would enhance contact with the Cuban people and/or support civil society in Cuba, and/or help promote the Cuban people's independence from Cuban authorities. Furthermore, the applicant must demonstrate that the schedule of activities will result in meaningful interaction between the U.S. travelers and the Cuban people and certify that the predominant portion of their travel activities will not be with individuals or entities acting for or on behalf of prohibited officials of the government of Cuba or a certain defined member of the Cuban Communist Party. Finally, applicants for renewals must submit copies of itineraries of all trips undertaken pursuant to their license.

Question 4: What procedures are in place at the Department of the Treasury/OFAC to ensure that travel by those under U.S. jurisdiction do not include prohibited "tourist activities"?

We take our licensing obligations very seriously. In July 2011, OFAC issued a travel advisory to address misstatements in the media suggesting that OFAC was licensing tourist activities. The advisory clarifies that OFAC only licenses people-to-people groups that certify that all participants will have a full-time schedule of educational exchange activities that will result in meaningful interaction between the travelers and Cuban individuals. Another advisory issued in March 2012 warns that advertisements for people-to-people travel that give the appearance that trips will focus on activities beyond the full-time schedule of meaningful activities described in the licensed organization's application to OFAC may prompt contact by OFAC and may result in a license suspension while we investigate.

OFAC actively investigates suspected violations of all of its sanctions programs, including those related to Cuba and abuses of the travel limitations imposed as part of those programs. Potential penalties for violations of those programs range from license denial or revocation to civil or criminal penalties.

Topic 2: World Bank (Doing Business at the World Bank)

Question 5: The United States has been a strong supporter of Doing Business at the World Bank. Doing Business ranks countries on how hard or easy it is to start a business. This matters because it says something about what sort of government a country has and reforms make it easier for entrepreneurs to get access to capital. There is concern that one of the greatest successes of the World Bank will be crippled or diminished. Is Doing Business a priority for the Department of Treasury and the Administration? Have you been in contact with President Kim about this issue? Will you commit to ensuring

that Doing Business is not only preserved but grown? Will you make saving Doing Business a personal priority for you?

The continuation of the World Bank's Doing Business Report and its country rankings is a high priority for Treasury and the Administration. I and other senior Administration officials have engaged directly with World Bank President Kim and other shareholders to emphasize our strong support for the report and its rankings. We have called for continued work to strengthen the report's methodology and data collection, and have supported the selective expansion of the Doing Business indicators and its subnational reports. We were pleased to see Dr. Kim's June 7 statement of his commitment to the Doing Business Report, and that the 2014 report, including aggregate country rankings, will be published later this year as planned.

Topic 3: Iran

Question 6: Media reports indicate that Turkey continues trading gold for Iranian natural gas. This barter arrangement would appear to be a violation of the ban on repatriating fund to Iran as well as the ban on the export of precious metals to Iran. Can you confirm whether Turkey continues to send gold to Iran in exchange for natural gas? Would you agree that such an arrangement would be a violation of U.S. law?

We are aware of the press reports, and we actively investigate any activity that may run afoul of U.S. sanctions. Treasury continues to engage the government of Turkey regarding our Iran sanctions program, including the export of gold or other precious metals to the government of Iran. We currently have the authority under Executive Order 13622 to target those who provide gold or other precious metals to the government of Iran, and as of July 1, 2013, the Iranian Freedom and Counter-Proliferation Act of 2012 (IFCA) will expand that authority to target the sale of precious metals – including gold – to or from anyone in Iran for any purpose. Similarly, as of July 1, foreign financial institutions that facilitate transactions for the sale of natural gas to or from Iran will be sanctionable if they meet certain criteria set forth in IFCA, unless the transaction meets certain requirements for an exception.

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Questions for the Record – Rep. Nita Lowey (D-NY)

Topic 1: Safeguard Review

Question 1: The World Bank is conducting its first full review of its environmental and social safeguards in twenty years. These safeguards ensure that, at the very least, World Bank-financed projects do not cause unintended harm to the environment or to nearby communities. I believe the U.S. government has an important role to play in the development of such policies. What are the Administration's priorities for the review? Will gender or labor considerations be added in the current review? What mechanisms are being put into place to enforce these safeguards?

The existing safeguards policy only applies to project finance, but since the safeguards were first put into place the share of this kind of lending has declined. Will the updated safeguards be applied to all Bank actions, including all policy and program based lending?

We believe that the World Bank safeguards review provides an opportunity for the Bank to continue its leadership on environmental and social safeguards. Our priority is for the review to achieve its stated objective – to strengthen the effectiveness of the safeguard policies in order to enhance the development outcomes of Bank operations. We expect the safeguards to reflect best practices and will guard against any attempt to weaken them.

Gender and labor are "emerging areas" that the World Bank has identified for consideration in the safeguard review process. The Bank is examining if and how they can best be addressed by the Bank in this context.

We anticipate that current mechanisms that enforce the safeguards will remain in place, including: sound training and effective staff guidance, incorporation of commitments in legal contracts, and recourse of impacted communities to the Inspection Panel. We expect that the Bank will complement the updated safeguards with management actions, including procedural and guidance changes, to strengthen implementation, supervision, monitoring, and reporting.

The scope of the safeguards review is currently limited to the Bank's core eight investment lending safeguard policies, and the policy on piloting the use of borrower systems for environmental and social safeguards ("use of country systems"). However, during the initial round of public consultations, a number of civil society organizations urged that the review incorporate all of the Bank's lending instruments. This recommendation is being considered, along with all other recommendations by Bank management.

It is important to note that the Bank already requires a determination of whether the policies supported by program based lending are likely to have significant social or environmental impacts. Any gaps in impact analysis or shortcomings in borrowers' systems for reducing adverse effects must be addressed before or during loan implementation. The new Program-for-Results lending instrument explicitly excludes any activities that "are judged to be likely to have significant adverse impacts that are sensitive, diverse, or unprecedented on the environment and/or affected people."

Topic 2: MDB Reforms

Question 2: The FY 2012 bill included the first payment for general capital increases for many of the multilateral development banks following their increased lending after the financial crisis of 2008 and 2009. As part of the United States' commitment to the GCIs, a number of reforms were required, including important improvements in transparency, monitoring, and the consistent application of social safeguards. What progress has been on the reform agenda for the World Bank, Inter-American Bank, and African Development Bank? Are there reforms that the U.S. is concerned are not making progress?

Last year, the World Bank approved a new lending instrument called Program for Results. Has this new instrument been operationalized yet? How has oversight and Bank standards for environmental protection, transparency, and protecting the rights of local communities been upheld by this new arrangement?

Please find attached in Annex 3.1 five General Capital Increase (GCI) reports that we have provided to Congress that describe the implementation of specific reforms agreed to as part of each GCI agreement. The responses below provide updated information not available in these reports.

World Bank

World Bank GCI reform commitments have focused on results, openness, and accountability. Some key elements:

- *Sound Finances*:
  - Financial framework. **Status**: World Bank management adopted a new financial framework in 2010 that makes major financial decisions take into account implications for the administrative budget, pricing of loans, and net income transfers in a unified, comprehensive analysis. This is an important improvement over previous practice, which considered these matters separately. World Bank management and the Board of Directors used the latest capital adequacy framework to confirm that the administrative budget, loan pricing, and transfers to IDA were consistent with long-term capital adequacy. To further improve the process, Management is revising the model that it uses to make capital adequacy projections in order to reduce volatility in long-term projections. Loan prices now cover a larger share of the World Bank's administrative budget.
- *Effective Management and Governance:*
  - Human resources. **Status**: The World Bank has adopted and begun to implement human resource reforms to more strongly link the performance evaluation process to reflect results. For example, the World Bank has introduced clear links to the Corporate Scorecard to enable regular assessments of performance. The Bank's

comprehensive compensation and benefits review will run through Bank fiscal year 2014 (June 2014).

- Results. **Status**: While the new systems and tools continue to be refined, the World Bank is making substantial progress in becoming a more results-oriented institution. The World Bank's key tool for reporting results is the "Corporate Scorecard", introduced Bank-wide in fall 2011. The Corporate Scorecard uses an integrated results and performance framework, which is organized in a four-tier structure that groups indicators along the results chain. Two of the tiers track elements of development results (Tiers I and II), and the other two capture elements of performance (Tiers III and IV). The Corporate Scorecard monitors, at an aggregate level, whether the World Bank is functioning efficiently and adapting itself successfully (Tier IV), and whether it is managing its operations and services effectively (Tier III) to support countries in achieving results (Tier II) in the context of global development progress and priorities (Tier I). It presents a high-level view and is not intended to provide country- or activity-level information. The first bi-annual discussion of the World Bank's performance in generating development results based on the Corporate Scorecard was held with the World Bank Group President and the Executive Directors in December 2012.

- *Transparency and Accountability:*
  - Beneficiary Feedback. **Status:** An expanding number of World Bank operations are receiving formal beneficiary feedback, consistent with a key commitment under last year's "Modernization Agenda." In World Bank fiscal year 2012, 44 percent of the World Bank's projects included a mechanism for beneficiary feedback during project implementation, up from 22 percent year. Increasingly, monitoring through direct beneficiary feedback is being built into the projects: customer feedback on delivery of public services via cell-phone reporting is now being supported in Bank projects in Tanzania, Moldova, Dominican Republic, the Democratic Republic of the Congo, Brazil, and Indonesia.

- *Focus on Core Missions:*
  - World Bank Group Goals and Strategy. **Status**: Ahead of the 2013 World Bank-International Monetary Fund (Bank/Fund) Spring Meetings, the Bank reaffirmed its core mission of a world free of poverty by defining two specific goals as part of its new "Common Vision for the World Bank Group". This common vision targets a reduction in the percentage of people living on less than USD 1.25 a day to three percent by 2030 and promotes the income growth of the bottom 40 percent of the population in every country. These corporate goals are meant to guide the development of a unified strategy to focus World Bank Group activities and resources on achieving its mission. World Bank management has indicated its intention to finalize the strategy by the time of the 2013 Bank/Fund Annual Meetings in October 2013. This strategy will build on the World Bank's Modernization Agenda, launched in 2010, as well as the 2013 reforms in the International Finance Corporation (IFC) and the Multilateral Investment

Guarantee Agency (MIGA) that focus on improved client and on-the-ground engagement. These efforts are leading the four main parts of the World Bank Group – International Bank of Reconstruction and Development (IBRD), International Development Association (IDA), IFC, and MIGA – to work together more cohesively.

Inter-American Development Bank (IDB)

As a key element of the GCI for the IDB, the United States succeeded in securing a strong institutional reform agenda, which includes the reforms outlined below. The independent Office of Evaluation and Oversight (OVE) has undertaken a unprecedented and comprehensive review of every reform agreed as part of the GCI. The OVE delivered a comprehensive report to Governors in March 2013. Overall, the evaluation finds that the IDB has fully implemented almost all of the agreed reforms. However, OVE finds that the effectiveness of the reforms is mixed. In a series of 22 papers, OVE evaluates each mandated reform in detail.[4]

- *Sound Finances:*
  - Income Management Model. **Status**: The IDB has fully implemented its commitment to adopt a comprehensive income management model that allocates income and adjusts loan pricing to cover: (1) the IDB's complete lending and grant programs, (2) minimum annual transfers of $200 million to the grant facility for Haiti, (3) a capital accumulation rule that preserves the financial soundness of the IDB, (4) all administrative expenses, and (5) requirements of the Capital Adequacy Policy. Under this model, decisions on budget, programming, and loan charges will all be made simultaneously. This model has helped to align borrower and non-borrower interests in budget efficiency at the IDB.
- *Effective Management and Governance:*
  - Development Effectiveness. **Status**: In 2011, the Board of Directors approved a new development effectiveness matrix for all project loans, which will greatly improve the Bank's ability to measure the success of its programs. In addition, under the Bank's guidelines, only projects that meet quantitative minimum development effectiveness threshold can be brought forward to the Board of Executive Directors. As a result, all projects now brought to the IDB Board include an ex-ante development effectiveness matrix. IDB management is currently working on a project completion report that will better link to goals that are set ahead of project implementation, giving the Bank a fuller picture of its successes and lessons learned.
  - Safeguards. **Status**: An independent advisory group (IAG) submitted a report on the Bank's environmental and social standards in February 2011, which concluded that the IDB's policies were adequate and no policy revisions were needed. Additional recommendations made by the IAG focused on strengthening

[4] http://www.iadb.org/en/office-of-evaluation-and-oversight/mid-term-evaluation-of-idb-9-commitments,7990.html

safeguards implementation and mainstreaming sustainability. Since that report, according to a recent evaluation by OVE, IDB has made considerable progress, but still has more work ahead on a longer-term agenda for sustainability. The creation of a Sustainability Working Group has helped raise Management's overall awareness of sustainability issues and increased the focus on the cross-cutting nature of social and environmental sustainability. The IDB has also increased budgetary resources for additional safeguards and sustainability issues training for bank staff and for Board members.

- Macroeconomic Sustainability Assessments (MSAs). **Status:** The Board approved the MSA mechanism in December 2011 in response to the Governors' mandate to safeguard against lending into unsustainable environments. After two years of this programming based on MSAs, OVE's evaluation found that, while fully implemented, the MSA did not effectively meet the Governors' mandate, citing overlap with IMF surveillance, high cost, and loopholes in the process as several shortcomings. OVE recommended that the IDB rethink the process. The Board of Directors has formed a task force to look at the concerns raised by OVE to come up with proposals on a way forward.

- *Transparency and Accountability:*
  - Disclosure. **Status**: On January 1, 2011, the IDB implemented a new disclosure policy that includes: (1) the replacement of a "positive list" of disclosed policies with a limited "negative list," (2) release of Board/Committee minutes, (4) an independent appeals mechanism, (5) voluntary disclosure of Executive Director's statements, and (6) disclosure of project-level results. OVE's evaluation of the new policy gave it high marks, but highlighted one key loophole under which a country could potentially block the publication of documents considered to contain sensitive, country-specific information. IDB Management agrees with OVE and will bring forward a proposal to address this concern.
  - Inspection Mechanism. **Status**: In September 2010, the IDB Board reformed the bank's Inspection Mechanism to assure its independence, mandate, and accessibility. OVE's report found significant concerns with the effectiveness of the mechanism, specifically related to gaps in the policy and lack of clear leadership. The Board is in the process of hiring an external consultant to help the Board with revising the inspection mechanism's policy. The Board is also searching for an interim director to oversee operations during the policy revision period.

- *Focus on Core Mission:*
  - Institutional Priorities. **Status**: As part of the GCI-9, the IDB affirmed five institutional priorities: (1) reducing poverty and inequality, (2) ensuring sustainable development and addressing sustainable energy and climate change, (3) addressing the special needs of the poorest countries, (4) promoting regional integration, and (5) fostering development through the private sector. To institutionalize these priorities, the IDB Board approved sector strategies and

notional lending targets in December 2011 for: (1) regional integration infrastructure and technical assistance, (2) better education performance, (3) broader private sector access to finance, particularly for SMEs, (4) renewable energy, and (5) climate change adaptation and mitigation. Further, Management has integrated the notional lending targets into performance evaluations and budgeting policies.

Asian Development Bank (AsDB)

The AsDB agreed to a set of reforms in the context of the GCI to support improved governance, efficiency, and delivery of assistance to its developing member countries. Key elements are:

- *Sound Finances:*
  - Risk Management. **Status**: The AsDB has elevated the bank's risk management function to report directly to the President and increased attention to risk management during the preparation of bank projects. During 2010-2012, the AsDB prioritized an increase in staffing for credit risk management. This function accounted for about six percent of all new staff positions at the AsDB during this three-year period. In 2012, the AsDB put in place new technology to improve its risk management, investment, and counterparty risk reporting.
- *Effective Management and Governance:*
  - Human Resources Reform. **Status**: The AsDB is currently implementing its human resources action plan along with its "People Strategy," which will consolidate and improve key corporate goals and accountability. The bank is also implementing its strategy to increase the percentage of women in professional positions, and has met its interim target.
  - Safeguard Policy Commitments. **Status**: A revised safeguard policy became effective in January 2010. This new policy, which has been harmonized with the safeguard policies of other MDBs, requires that all projects have environmental impact assessments at least 120 days prior to Board approval, consistent with the Pelosi Amendment. Since January 2010, the AsDB has added 40 staff positions for safeguard work and more than 800 staff have received safeguard training.
- *Transparency and Accountability:*
  - Sanctions Policy. **Status**: A complete list of firms and individuals that have violated the terms of their debarment or whose current location cannot be identified can be found on the AsDB's website. The AsDB and other MDBs are working together to coordinate mutual enforcement of debarment decisions.
  - Audit Reform. **Status**: AsDB Management and the Board have taken steps to strengthen the independence of the Office of the Auditor General (OAG), whose organizational independence was confirmed by the Auditor General in its Annual Report. The OAG is taking steps to strengthen the office based on

recommendations made by a peer review team from the Institute of Internal Auditors. These recommendations include improving risk assessment and documentation processes, expanding fraud-related training, and expanding the use of computer-assisted audit techniques. In addition, the Office of Anticorruption and Integrity continues to report quarterly to the Audit Committee of the Board. We believe that pending staffing changes in several key accountability roles will increase strength and independence of these offices.

African Development Bank (AfDB)

During negotiations of the GCI, AfDB Management agreed to a robust set of institutional reforms. An updated matrix of key GCI reform commitments can be found in Annex 3.2. Key elements are:

- *Sound Finances:*
  - Balance Sheet Flexibility. **Status:** At the urging of the United States, Management by updating their financial policies in line with the practice of other MDBs.
  - Risk Management. **Status:** The enterprise risk management dashboard, completed in December 2012, provides a comprehensive view of all the key risks faced by the institution (including credit, market, liquidity, capital management risks), and highlights areas of concerns to be monitored. In addition, the Credit Risk Committee (CRC) became fully operational beginning in the 3rd quarter of 2012. It meets on a regular basis, generally weekly, and has strengthened the assessment of credit risk issues, particularly for private sector operations. The CRC also oversees country risk ratings/reviews, overall portfolio credit risk monitoring, and waivers. In addition, the AfDB has acquired an integrated platform to enhance and automate the credit risk process.
- *Effective Management and Institutional Reforms:*
  - Results. **Status:** In May 2013, the AfDB published its third Annual Development Effectiveness Review (ADER), which assesses the AfDB's developmental impact by providing an overview of Africa's development trends and describing the AfDB's contributions to those results. Similar to the World Bank's Corporate Scorecard, the ADER uses four tiers: (1) level one measures Africa's overall development progress in nine areas, including growth, human development, and public service delivery, (2) level two presents the aggregate outputs of AfDB operations in the same nine areas, showing how the bank has contributed to Africa's development, (3) level three assesses how well the AfDB manages its portfolio of operations, and (4) level four describes how well the bank manages its institutional effectiveness, measured against progress in areas like decentralization and human resource management. The ADER concluded that the bank has improved the degree of supervision of its operations, with the level of problem projects declining to below five percent in 2012. In addition, the overall

proportion of operations rated satisfactory reached 93 percent, a major improvement over 2010 and just short of the AfDB's target of 95 percent. However, both the disbursement ratio—representing the overall pace of disbursement— and the average lapse of time between approval and first disbursement remain a cause of concern. The bank is conducting a study on first disbursement to better understand why the lapse of time is so long, and to formulate appropriate measures to address this weakness.

- Human Resources (HR) Reforms. **Status:** In December 2011, the AfDB Board, with United States support, adopted a new compensation framework. Specific areas of improvement include: (1) eliminating a specific salary target as a percentage of World Bank/other MDB salaries, (2) adopting broader measures of market competitiveness, and (3) strengthening the links between performance and compensation. In April 2012, the AfDB adopted a strategy to strengthen its recruitment and retention processes. Nevertheless, human resources management remains one of the AfDB's biggest challenges. Both its premature attrition rate—staff leaving before completion of their first contract, as a share of total departures—and the vacancy rate, which stands at 15 percent, have made it difficult for the bank to make progress in this area. We have also been vocal about the low proportion of women among professional staff and within management.

- *Transparency and Accountability:*
  - Governance and Anti-corruption. **Status:** As part of the process of implementing the June 2012 sanctions policy, in December 2012, the AfDB Board approved the appointments of the new independent Sanctions Commissioner and the members of the Sanctions Appeal Board. The AfDB has updated its website to show the cross debarments with other MDBs. The United States also pressed the AfDB to delegate cases of staff misconduct that do not constitute fraud or corruption to human resources personnel, enabling the Integrity and Anti-Corruption Department (IACD) to dedicate its time to corruption cases. In February 2013, the Human Resources Committee considered a proposal to establish a new office that would be responsible for these cases of misconduct. In addition, the AfDB has taken steps to strengthen IACD by creating two separate divisions, a preventative division and an investigation division. Finally, IACD is developing key performance indicators so that its effectiveness can be measured.
  - Disclosure Policy. **Status:** The AfDB is implementing a new policy on disclosure and access to information. In line with best practices across the MDBs, the new policy includes a shift from a "positive list" approach, in which disclosure is considered exceptional, to a presumption of disclosure, or "negative list" approach, in which disclosure is considered the default. The policy sets deadlines for responding to requests for information and establishes an appeals process for requests that are denied. The AfDB released detailed guidelines to staff since the last report and has begun its information campaign both within the bank and outside.

- *Focus on Core Mission:*
    - Long-Term Strategy. **Status:** The AfDB has completed a Long-Term Strategy (LTS) covering the period 2013–2022, based on consultations with AfDB staff and outreach meetings with representatives of government, civil society, the private sector, and academia. The strategy will provide a framework for operational selectivity by consolidating the bank's success in infrastructure, regional integration, governance, and private sector development, while striving to respond to the changing needs of a diverse continent that includes fragile states, newly emerging frontier markets, and North African nations in transition. With an overarching focus on inclusive and green growth, the AfDB will also move away from a focus on outputs to one that is more outcomes-oriented. Through the LTS, the bank will strive to expand its ability to measure and communicate results as the key driver of institutional performance.

Program for Results (PforR)

The World Bank Board approved the launch of the Program for Results (PforR) instrument in January 2012. Since the instrument was introduced, seven operations in five sectors have been approved, totaling $1.03 billion in IDA/IBRD commitments and leveraging another $1.4 billion in government and partner funding. Total funding falls within the agreed upon five percent cap. The World Bank Executive Board, with U.S. support, reviewed and approved these PforR projects. A key condition of U.S. support for the instrument was that PforR projects must not be classified as a Category A project with significant adverse environmental impacts.[5] The World Bank has honored this agreement. Moreover, each PforR project is required to rigorously track key indicators of its impact in order to qualify for continued disbursements, leading to substantial scrutiny of each project. We look forward to a full review of the PforR instrument, including issues related to oversight, transparency, environmental impact, and effect on local communities, once the pilot phase of the PforR program is completed.

- *Ethiopia*: This PforR project provides $100 million in performance-based assistance to improve the delivery and use of a comprehensive package of maternal and child health services. The Health Millennium Development Goals (MDG) Program will help to accelerate progress towards meeting the maternal health MDG, sustain the gains made in the child health MDG, and strengthen health systems in Ethiopia. World Bank financing is being pooled with the MDG Performance Fund, comprised of nine development partners. In addition, technical support for strengthening monitoring and evaluation systems, especially for the annual rapid facility assessments, will be provided through a World Bank administered Health Results Innovation Trust Fund grant.
- *Morocco*: A $300 million loan will contribute towards the second phase of the $2.1 billion government of Morocco National Initiative for Human Development (INDH).

[5] A proposed project is classified as Category A if it is likely to have significant adverse environmental impacts that are sensitive, diverse, or unprecedented. These impacts may affect an area broader than the sites or facilities subject to physical works.

The project finances income-generating activities, improved access to basic services, and key infrastructure in the poorest regions of Morocco.

- *Nepal*: A $60 million loan to the government of Nepal will support the Department of Roads $147 million strategic roads network bridge program. The project supports the country's vision of providing safe, reliable and cost-effective bridges. It will maintain 89 bridges, many over 35 years old, complete major and minor maintenance on more than 300 bridges, and construct 121 new bridges.
- *Tanzania*: This project provides $255 million in performance-based assistance to 18 (out of 26) Urban Local Government Authorities in Tanzania to improve urban service delivery. Local governments will use grant proceeds to improve roads, public spaces for market and trade, and solid waste management, among other small-scale infrastructure.
- *Uganda*: This project provides $150 million to improve the institutional performance of Program Local Governments to improve urban service delivery. The project includes: road rehabilitation and upgrading; urban solid and liquid waste management; water and sewerage extension to peri-urban areas, markets, and abattoirs; and bus, truck, or taxi stands.
- *Uruguay*: A $66 million loan supports the existing road rehabilitation and maintenance program, which will rehabilitate and maintain the national road infrastructure and improve public sector capacity to plan, regulate, and monitor transport and logistics services. The project supports the government's broader strategy of improving the quality of road infrastructure and increasing coverage.
- *Vietnam*: This PforR project provides $200 million in performance-based assistance to expand access to water supply and sanitation services to rural areas in eight Vietnamese provinces. As part of The National Target Program Project, this funding will provide safe clean water for 1.7 million people and improved sanitation for 650,000 people living in eight provinces in the Red River Delta. The program will strengthen governance systems for results-based service delivery, as well as gender-based monitoring and reporting.

Topic 3: OFAC

Question 3: During the Horn of Africa famine in 2011, the Treasury Department's Office of Foreign Asset Control (OFAC) was criticized for impeding the humanitarian response by failing to issue a license for humanitarian aid in Somalia until well after the formal declaration of famine. The famine had been predicted for months and by the time the license was issued, 30,000 children had already died. What is the Treasury Department doing to balance the need for sanctions enforcement with making sure innocent populations get the help they need and ensuring humanitarian organizations have room to operate? OFAC has issued general licenses to allow for broad humanitarian response in Burma and Syria, but declined to do so in other

contexts. How can OFAC ensure consistency in the application of these rules for humanitarian waivers? In a humanitarian crisis, delay can mean increased suffering and death for vulnerable populations. What is the average processing time for a humanitarian waiver? What steps can be taken to ensure waivers are issued in a more timely manner?

The Treasury Department's Office of Foreign Assets Control (OFAC) uses its licensing authority in a calibrated manner to ensure that the implementation of sanctions does not impede humanitarian relief efforts. OFAC has, for example, issued general licenses to allow immediate relief efforts in the event of natural disasters and for certain humanitarian activities, and it processes specific licenses applications for humanitarian relief efforts with priority, in close consultation with the State Department.

With respect to Somalia, it is critical to understand the role of Al-Shabaab – a designated terrorist group since February of 2008 – which controlled the regions of Somalia most affected by the famine and food insecurity. Al-Shabaab was directly responsible for thwarting humanitarian aid to the region through acts of violence against humanitarian aid workers, as well as the expropriation of such aid for its own purposes.

OFAC works with the State Department to ensure that every possible precaution is taken to avoid the diversion of humanitarian funds in Somalia. For example, OFAC licensed all NGOs that are contractors and grantees of the State Department and USAID to engage in certain transactions in the conduct of their official assistance activities in Somalia, provided that the appropriate controls aimed at preventing the diversion of assistance to designated parties, including Al-Shabaab, were in place. OFAC stands ready to work with other NGOs that may not be covered by this license or in other relevant instances of humanitarian aid provision.

Topic 4: Arrears

Question 4: The FY2014 request notes that U.S. arrears to the Asian Development Fund exceed $326 million and that total arrears to all the MDBs exceed $1.2 billion. How do U.S. arrears compare to those of other major contributors? Since the United States is often the largest contributor to these institutions despite some arrears, please describe specific instances, if any, where the presence of U.S. arrears has negatively impacted Treasury's policy-making ability at the MDBs?

The United States is the only major donor with significant unmet commitments across the MDBs. At the Asian Development Fund (AsDF), U.S. arrears, which have increased to $347 million as a result of FY 2013 funding levels and sequestration, account for 77 percent of total unmet commitments, and the United States is the only country with outstanding arrears to previous replenishments. Only two other countries, Italy and Spain, have failed to meet their commitments in full. U.S. arrears have triggered pro-rata withholdings from other donors (Germany, France, and Turkey) that total $175 million.

As a result of persistent U.S. arrears, other donors have asked the AsDF to explore options, beyond pro-rata withholding, for holding to account donors that fail to meet their commitments, including adjustments to voting share and possible procurement restrictions. We have prevailed in preventing these options from being adopted, but our reputation has suffered as a consequence of the arrears. At other concessional windows, the difficulties caused by U.S. arrears are just as stark. For example, other than Italy, the United States is the only country with arrears to IDA. This is compounded by the fact that the United States is only country with outstanding arrears to previous replenishments. Our continued to failure to meet these commitments is eroding our leadership position in each institution as discussion of U.S. arrears crowds out discussion of U.S. policy priorities.

Topic 5: Value of U.S. Participation

Question 5: What monetary benefit is there to the U.S. in participating through multilateral development banks? How does the U.S. oversee the operations of the World Bank and other International Financial Institutions? How are results measured and evaluated?

The United States derives significant benefit through participation in the multilateral development banks (MDBs) through our ability to leverage funding from other donors to address development priorities. For example, the U.S. pledge of $4 billion to the sixteenth replenishment of the International Development Association of the World Bank leveraged contributions from other donors to achieve a total replenishment of roughly $50 billion, including $1.7 billion in contributions from the IBRD's own internal net income. These resources are being used to fight poverty and spur economic growth in the poorest countries around the world and supporting countries of strategic U.S. interest, such as Afghanistan.

In addition to this immediate leverage, U.S. contributions to non-concessional windows enjoy an additional degree of leverage from the institutions' abilities to borrow in global capital markets. For example, for every dollar of equity, the World Bank is able to borrow three dollars to support operations.

Over time, as loans are repaid to the MDB's non-concessional windows, the cumulative amount of lending to developing countries supported by a given amount of U.S.-funded equity grows even larger. For example, during the 1988 capital increase for the World Bank, a U.S. contribution of $420 million helped to leverage roughly $325 billion in development commitments over the subsequent two decades.

The United States oversight of its investments in the International Financial Institutions (IFIs) is robust. The front line of U.S. engagement in the IFIs is a U.S. Executive Director (USED) who sits on each institution's board of directors. At the World Bank and the regional development banks, the USED is appointed by the President with the advice and consent of the Senate. These USEDs are supported by an office staff that consists mostly of U.S. civil servants on temporary assignment to the institution. The USEDs and their staff manage the day-to-day engagement

with each institution. They receive additional support and guidance from senior leadership at the Department of the Treasury, with input from other U.S. government agencies.

Interagency engagement on the IFIs has been formalized through the National Advisory Council on International Monetary and Financial Policies (NAC), chaired by the Secretary of the Treasury, and including the Assistant to the President for Economic Affairs, the Secretary of State, the United States Trade Representative, the Secretary of Commerce, the Chairman of the Board of Governors of the Federal Reserve System, the Administrator of the United States Agency for International Development, and the President of the Export-Import Bank of the United States, or their designees. The NAC is engaged on major policies and proposals at the MDBs (for example, capital increases, and replenishments), as well as day-to-day issues such as the review of MDB project proposals. This process facilitates the necessary engagement of key U.S. agency stakeholders in the development of MDB policies and programs.

Each institution has a results measurement framework to track the progress and outcomes of individual engagements and projects, as well as movement towards broader goals and milestones (for example, Millennium Development Goals). Each institution makes this information available to the public on its website.

FEBRUARY 13, 2013

CLOSED HEARING ON EMBASSY SECURITY

NO TRANSCRIPT AVAILABLE

WITNESS: PATRICK KENNEDY, UNDERSECRETARY FOR MANAGEMENT AT THE DEPARTMENT OF STATE

Chairwoman Kay Granger
Subcommittee on State, Foreign Operations, and Related Programs
House Committee on Appropriations
Embassy Security Hearing
February 14, 2013
Opening Statement As Prepared

The Subcommittee on State, Foreign Operations, and Related Programs will come to order.

I want to start by welcoming all of the Subcommittee Members to the first hearing of the 113th Congress. Today we will address one of the most urgent issues in the Subcommittee's jurisdiction -- how best to protect United States diplomatic and development personnel serving overseas. I particularly want to thank our witness this morning, Patrick Kennedy, who currently serves as Undersecretary for Management at the Department of State and has 40 years of experience as a member of the Foreign Service.

We have taken the extraordinary step to close the hearing today so that we can discuss more freely the threat environment and the strategies and measures in place to mitigate those threats.

Tragedies such as the murder of U.S. Ambassador Chris Stevens and three other Americans in Libya, the destructive demonstrations at posts across Africa, to the death and injury of security personnel in Turkey just two weeks ago are a stark reminder that the security environment is more challenging than it has ever been.

The investment by our Committee of more than $10 billion since fiscal year 2000 has led to the completion of 97 new facilities and provided more than 27,000 diplomats and development personnel with safer facilities. We have taken requests from the Department of State for Embassy Security very seriously and have left it to the security experts to determine the right balance to meet the Department's needs. As a result, this Committee does not appropriate for specific facilities, designate the type of equipment used, or limit the number of staff. The Committee also gives the Department the authority to reprogram and transfer funds when there is some tragedy, like Benghazi, that requires funds to be moved around.

However, the events of the last several months illustrate all too well that the threat environment has changed since the State Department developed its policies and procedures after the bombings of the embassies in Kenya and Tanzania in August of 1998. These events require us to re-examine all aspects of embassy security, including security systems, facility standards and procedures, intelligence collection, threat analysis, and personnel performance.

Last week, Chairman Rogers and I sent a letter to Secretary Kerry asking him to address these issues as an urgent priority. We noted that this is a national security challenge far too important to address with a piecemeal approach. We called for a comprehensive plan with timelines and budgets that incorporates the recommendations of the Benghazi Accountability Review Board, inter-agency assessment teams, and any State Department reviews.

In the meantime, this Committee stands ready to work with you to understand the Department's needs and to try to find the resources to address them in this very difficult budget environment.

I will now turn to Mrs. Lowey for her opening remarks and then to Chairman Rogers.

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Chairman Hal Rogers
House Committee on Appropriations
Subcommittee on State, Foreign Operations, and Related Programs
Embassy Security Hearing
February 14, 2013
Opening Statement As Prepared

I want to thank Chairwoman Granger and Ranking Member Lowey for holding this hearing today. The attacks on United States facilities and personnel over the past several months remind us that our diplomatic and development personnel are living and working in very challenging places. Ensuring that resources are available to keep them safe is one of the most important responsibilities of this Subcommittee.

Under Secretary Kennedy, I want to welcome you. This Committee has a long history of working with you and your colleagues at the State Department to provide the funding and authorities needed to respond in a responsible way to a changing threat environment. I want to personally thank you for your many years of service.

You have held many positions at the Department, and your leadership has been key to getting us where we are today. I recall working with you and others at the Department after the embassy bombings in Kenya and Tanzania in 1998. This Committee supported new secure facility construction and upgrades all over the world, and more than 10 billion dollars has been appropriated to date.

We are committed to getting you the resources you need in the future, but you know from past experience that we will not write a blank check. We expect a comprehensive plan to address embassy security so that we understand what is needed now and what can be done over a longer period of time. I look forward to discussing this and other issues during the hearing.

I yield back to the Chairwoman.

#####

Ranking Member Nita Lowey Opening Statement on Embassy Security Hearing

February 14, 2013

Our challenge is how to strike the right balance between mission objectives and evolving security environments: How do we provide the brave men and women who serve overseas with the protection they need, while still allowing them the freedom to do their jobs?

Under Secretary Kennedy, I join Chairwoman Granger in welcoming you this morning. As this is our first hearing of the year, I want to thank Chairwoman Granger for her leadership during the last Congress. I too want to welcome the new and returning members to this great Subcommittee.

I also want to welcome my full committee chairman, Mr. Rogers-himself a former chairman with jurisdiction over embassy operations. Chairwoman Granger, Chairman Rogers, I look forward to working with you in the same bipartisan fashion that this subcommittee has in the past as we take on the challenges of this year.

Throughout the world, U.S. diplomatic and development professionals play a critical role in protecting our national security, promoting peace, stability, and economic growth, and maintaining America's global leadership. This work is not without risk.

The men and women who serve in these positions know that in order to be most effective in their jobs, they have to leave embassy compounds and office buildings and get out into the communities in which they work. Ambassador Chris Stevens knew this, and by all accounts his contacts and connections among the people of Libya were what made him so effective as a representative of our government.

Our challenge, which I hope you will discuss in detail today, is how to strike the right balance between mission objectives and evolving security environments: How do we provide the brave men and women who serve overseas with the protection they need, while still allowing them the freedom to do their jobs?

We cannot retreat from dangerous places or allow security threats to paralyze us into a bunker mentality, nor can we allow our diplomats and development professionals to fall victim to those who wish to do them harm. I hope today's discussion will shed some light on how to address these serious challenges.

I also want to note that if sequestration goes into effect, the cut to embassy security and protection of personnel will be $168 million. At a time of crisis around the world – from Syria to West Africa to Afghanistan – we cannot allow political gamesmanship to endanger our men and women on the front lines.

Very simply, a budget cut of this magnitude will take a toll on the ability of the State Department and USAID to execute our vital national security, diplomacy, and development mission.

Thank you again, and I look forward to your testimony.

House Appropriations Subcommittee
On State/Foreign Operations
February 14, 2013
Hearing on Embassy Security

Good morning Chairwoman Granger, Ranking Member Lowey, and distinguished members of the subcommittee. Thank you for your invitation to appear today to discuss embassy security and, Madame Chairwoman, for your letter of February 5 on that subject.

Today, I will address how embassy security has been implemented since the Tanzania/Kenya bombings in 1998, and steps we are taking now to further improve our security.

The State Department maintains a robust presence around the world -- at 283 locations, many in challenging security environments where vital U.S. national security interests are at stake. We work every day to protect our people and our missions, by constantly assessing our security posture in view of rapidly changing operating environments and the threats they present.

While the 1998 bombings in East Africa were a watershed moment in embassy security, violence against our embassies goes back many years, particularly by those who dislike the policies and actions of the United States. For example, in 1920, two anarchists, Nicola Sacco and Bartolomeo Vanzetti, were tried, found guilty, and condemned to death for robbery and murder at a shoe factory in Massachusetts. A fervent supporter of Sacco and Vanzetti, who lived in Argentina, bombed the American embassy in Buenos Aires a few hours after the verdict.

Fifty-five years ago, on January 27, 1958, the U.S. Embassy in Ankara was attacked a few days before then Secretary of State John Foster Dulles was set to visit. As

you know, our embassy in Ankara was attacked by a suicide bomber just 2 weeks ago on February 1.

I want to assure you that we are never resigned to such attacks. Each incident is painful for us as individuals, as an institution, and for the United States. From demonstrators, to terrorists with car bombs, to lone actors with malicious intent, we know we must remain vigilant against threats.

The Department has two primary embassy security programs – physical security and construction of our facilities carried out by the Bureau of Overseas Buildings Operations, or OBO, and the security programs implemented by the Bureau of Diplomatic Security, or DS.

OBO's highest priority is moving U.S. Government personnel overseas into safe and secure facilities. Since the 1999 enactment of the Secure Embassy Construction and Counterterrorism Act, or SECCA, the Department has completed 97 new secure, safe, and functional diplomatic facilities and has an additional 37 projects in design or construction. As your letter notes, Madame Chairwoman, this Committee, under your and Chairman Rogers' leadership and with the support of the entire membership, has appropriated about $10 billion for this effort; this support started under the direction of past Chairs, Ms. Lowey and Mr. Wolf. We could not have done this without all of your support, and I thank you.

Of the 97 completed projects, 70 were full replacements for an embassy or consulate facility, while others included construction of Marine Security Guard Quarters, office annexes and other functional buildings. These new facilities provide a safe and secure work environment for over 27,000 U.S. Government employees.

All of these buildings were constructed to security standards in effect at the time of construction. Security standards are continually reviewed and revised, and new buildings are designed and constructed to the most current standards. In those instances where standards have been increased to meet emergency threats, we go back and assess previously constructed buildings and prioritize projects to bring buildings up to the most current standards.

Prior to SECCA, the Department completed 19 Inman projects and 8 Pre-Inman projects that incorporated the new standards to the extent possible. With our completed Inman and post-SECCA construction, there remain approximately 158 posts that have facilities that may not fully meet current security standards. Many of these facilities were built or acquired prior to the establishment of the current security standards, and others are subject to authorized waivers and/or exceptions.

Each year, DS ranks all posts worldwide according to their security vulnerability and OBO uses this list to develop its top 80 Posts for the Department's Capital Security Construction Program. These posts span all regions of the world. Replacement of these most vulnerable facilities is an ongoing effort.

Our construction program has saved lives. Last September, we also saw violent attacks on our embassies in Cairo, Sanaa, Tunis, and Khartoum, as well as large protests outside many other posts where thousands of our diplomats serve.

Our posts in Cairo and Sanaa were completed during the Inman building phase between 1986 and 1998, while Embassy Tunis was completed in November 2002 and Embassy Khartoum in March 2010, both post-SECCA. All of these facilities ably withstood attack. The perimeter walls and controlled entrances provided time for our staff to reach safety inside the buildings and for the host government to respond. While the perimeters were penetrated resulting in property damage, the physical security

countermeasures at these facilities prevented any loss of life. We are seeking reimbursement from the host governments for these damages.

Posts not scheduled for new embassy construction in the near term receive compound security upgrades to protect our overseas staff and facilities. Since 2005, the Department has completed 46 major compound security projects at existing compounds to bring them up to the most current security standards to the extent possible. Additionally, hundreds of smaller security upgrade projects have been completed worldwide since 1998. A compound security upgrade project in Sana'a, which constructed a new entrance hardline with reinforced doors and windows, and a forced entry and ballistic resistant door and window replacement project in Tunis had just been completed prior to the attacks.

In 2010, the Department established a Design Excellence initiative for U.S. diplomatic facilities to leverage the very best in American architecture, design, engineering, technology, sustainability, art, culture, and construction execution. This program does not compromise security – security and safety for staff and visitors remains our paramount objective. "Green" concerns are considered as an element to reduce operating expenses, but are not the primary focus. Through Design Excellence and sustainability practices, we are seeking to reduce our operating and maintenance costs at our new compounds, which I know has also been a concern to the Committee.

DS is responsible for the overall safety and security of U.S. diplomatic personnel abroad. DS implements a security approach using host government resources and strong physical security programs, which is designed to allow time for host government and Chief of Mission security forces to respond in the event of an attack.

Under the Vienna Convention on Diplomatic Relations of 1961, host governments are obligated to protect diplomatic missions on their sovereign territory.

In addition to host government protection, the department protects its facilities with concentric rings of security.

Regional Security Officers –The Regional Security Officer, or RSO, is a Special Agent of the Diplomatic Security Service, who manages security operations at U.S. missions abroad. These federal law enforcement officers also serve as an ambassador's principal advisor on all security matters. By law, the ambassador is ultimately responsible for security issues at post; every day the RSO coordinates with the ambassador and manages the functions of local- and U.S.-supplied security personnel. When the security situation in a country or region deteriorates, the ambassador and RSO coordinate even more closely and seek input from Washington.

Local Guard Forces – The Department relies on local national staff and commercial security contractors to provide routine static guard services at our embassies and consulates in accordance with host country laws and regulations. These guard services are generally unarmed and are similar to guard services for U.S. Government and commercial entities around the United States.

The primary mission of the local guard force is to provide protection for U.S. Government personnel and to protect U.S. facilities from damage or loss due to violent attack and theft, by providing notice of emerging security problems to State's RSOs and host country security personnel protecting our missions. They also provide situational reports of ongoing security incidents to our post management/security teams so they can make well-informed crisis management decisions. As the manager of security operations at U.S. missions abroad, the Regional Security Officer's duties include the vetting, hiring, training, and overall management of local guard personnel.

Marine Security Guards (MSGs) – The Marine Corps Embassy Security Group (MCESG) provides 152 security detachments in 141 countries worldwide, at permanent facilities with classified processing. Not every U.S. diplomatic facility has a MSG; 126 do not. MSGs have as their primary mission the protection of classified material. As a secondary mission, in exigent circumstances, they provide protection to U.S. personnel and property inside the diplomatic facility. The RSO is the immediate operational supervisor of the MSG detachment.

Fleet Antiterrorism Security Teams – When security augmentation is required, the Department of State may request additional resources from the Department of Defense. In response to the violence in Libya and Yemen, for example, the Department of Defense deployed two Fleet Antiterrorism Security Teams – or FAST teams – to both countries. These specially trained and selected Marines were deployed to reinforce the physical security of diplomats and diplomatic facilities in each country.

In 1985, State had about 150 RSOs assigned to overseas posts. They were called Regional Security Officers because they covered more than one country. Our RSOs are highly skilled law enforcement professionals, trained to operate in overseas environments. DS currently has approximately 800 RSOs serving overseas; this increase was due in part to recommendations of previous Accountability Review Boards (ARBs). The Benghazi ARB found that we needed to further increase DS coverage. We have proposed to hire and equip additional DS personnel, increasing our overseas deployment capacity and allowing us to expand the number of Mobile Security Teams, which consist of DS Agents who receive specialized training to provide emergency security support to posts during periods of high threat, crisis, or natural disaster. Along with local guards, U.S. Marines, and host country resources, our DS agents have protected our missions abroad under extremely challenging conditions, and in the face of ever-evolving threats.

We are also working with DOD to establish 35 additional Marine Security Guard Detachments at certain posts that currently do not have assigned Marines, at an estimated cost of less than $555 million. This will add approximately 350 Marines to the Embassy Security Group, and require the Defense Department to make corresponding adjustments to their training and sustainment programs to support the increased requirement. OBO has a plan to accelerate construction of new, secure embassy compounds, and to upgrade embassy security systems, including compound access controls, bollards, vehicle barriers, emergency sanctuaries, security lighting, and other improvements (at an estimated cost of around $736 million to the Department).

These efforts are contingent on our ability to transfer Overseas Contingency Operations funds between the Diplomatic and Consular Programs (D&CP) and Embassy Security Construction and Maintenance (ESCM) accounts, which would allow us to use available prior year funds. Madam Chairwoman, you had discussed this in your February 5 letter, and I look forward to discussing this matter today.

Looking forward, in addition to implementing the 29 Benghazi ARB recommendations, we are taking steps to proactively anticipate and address threats to our presence abroad.

- We have developed a process to identify High Threat Posts. Ongoing reviews will be undertaken by senior agency officials to ensure critical security issues receive appropriate attention.

- The new Deputy Assistant Secretary of State for High Threat Posts in DS is focusing attention on our missions in these dangerous places.

- We will continue periodic reviews of the Department's high threat posts by Interagency Security Assessment Teams.

- The ARB report recommended expanding our security training courses and increasing the number of employees trained, particularly those being sent to High Threat Posts. We are looking at the resource impact of expanding security training, including plans for a consolidated DS training center that has been under consideration and study for several years now.

- We will continue to share with Congress information about significant security events involving or against Department personnel or facilities.

We have submitted an Increased Security Proposal with high-level cost estimates. Over the coming weeks and months, we will work to refine our cost estimates and plans, and will brief you as we move forward.

During the past months, while we have heard many differing viewpoints from the press, from Congress, from the public – perhaps the only principle that everyone agrees on is that America needs to have a robust diplomatic presence abroad. We need to be in dangerous places in order to advance our national security interests. And America cannot defend those interests unless it actively engages on the ground. The world looks to America for leadership.

From the time the United States decides to build a new embassy – including site acquisition, design and contract award, and construction – to when the doors open, it takes about four years. We do not have that time when U.S. national interests require our immediate presence. In these circumstances, we must find a suitable facility, and enhance security to the maximum extent possible. Time and the laws of physics limit our ability to retrofit an existing structure to meet our full standards. In the future, secure expedient facilities will likely remain a critical need, and we continue to examine how to

best meet this need based on the totality of the operating environment and host country capabilities. This is a challenge we will continue to face.

The Department works every day to balance security with the ability of our diplomats to get out and do their jobs, and the accessibility of our embassies to those with legitimate business. We realize that we cannot provide a 100 percent risk-free operating environment; however, we strive to be proactive in mitigating risk to the maximum extent possible, to allow our diplomats the security and freedom to do their jobs.

Questions for the Record Submitted to
Under Secretary Patrick Kennedy
Representative Kay Granger (#1)
Subcommittee on State, Foreign Operations, and Related Programs
House Committee on Appropriations
February 14, 2013

Question:

Last week Chairwoman Rogers and I sent Secretary Kerry a letter urging him to make embassy security an urgent priority. We acknowledged in the letter the changing threat environment, particularly since the Department of State developed its policies and procedures in the wake of the attacks on our embassies in Kenya and Tanzania. We also pressed the Secretary on the need for a comprehensive plan for protecting United States diplomatic and development personnel and facilities abroad. While the Department's increased security proposal and the response to the ARB recommendations are a good start, our Committee needs a comprehensive plan, with timelines and budgets, which incorporates the various embassy security reviews and recommendations.

- Is the Department of State developing a comprehensive embassy security plan?
- Will that plan include timelines and budgets and identify the most urgent requirements, as well as those that are important but have a longer timeframe?
- When can we expect to receive it?
- Will your FY14 budget request incorporate these changes?

Answer:

Yes, the Department is developing comprehensive plans for our security needs that will include projected timelines and budgets, as well as a

prioritization of the most urgent requirements to begin addressing in FY 2013. We expect to complete this in the coming weeks, following enactment of the FY 2013 full-year appropriation. We will be pleased to brief the committee on the plan once it is complete. The forthcoming FY 2014 budget request will reflect the Administration's focus on the most urgent security needs, given the constrained fiscal environment we are operating within.

Questions for the Record Submitted to
Under Secretary Patrick Kennedy
Representative Kay Granger (#2)
Subcommittee on State, Foreign Operations, and Related Programs
House Committee on Appropriations
February 14, 2013

Question:

One of the many recommendations coming out of the embassy security reviews over the last several months is the need to review and expand training of department of state personnel at all levels, including high threat teams, Diplomatic Security agents, Foreign Service Officers, and locally engaged staff. The department's initial review of the steps needed to implement the ARB's recommendations, that training courses would need to be expanded in content, length, and in the number of participants.

- What is your timeline for completing the training reviews underway?
- Based on your analysis to date, what are your current estimates of the cost to implement the ARB's training recommendations and the timeline for implementation?
- Are you going to be requesting additional resources to implement these recommendations in FY14?

Answer:

The Bureau of Diplomatic Security (DS) has developed and implemented numerous changes to various courses, to include an online protective security operations course and the addition of a compound defense module to the DS high-threat tactical course. DS will complete additional training reviews no later than summer 2013 and will begin implementing additional course revisions as soon as they are developed.

The Department believes that it will request additional resources to implement these recommendations as part of the FY 2014 President's request.

Questions for the Record Submitted to
Under Secretary Patrick Kennedy
Representative Kay Granger (#4)
Subcommittee on State, Foreign Operations, and Related Programs
House Committee on Appropriations
February 14, 2013

Question:

Please provide the Subcommittee with a summary of the recommendations of the Interagency Security Assessment Teams [ISAT] which reviewed the security posture and requirements at several posts following the September attacks on our embassies.

Answer:

Following the September 2012 Benghazi attack and other violence directed against U.S. Missions, the State Department deployed five Interagency Security Assessment Teams (ISATs) composed of personnel from the Departments of State and Defense. The ISATs assessed 19 posts in the context of the security and operating environment, host government willingness and capability to protect Chief of Mission (COM) personnel and facilities, and COM security capabilities and assets. These posts were identified as particularly at risk from complex attacks which could combine several means of assault.

The ISAT inspections resulted in over 200 recommendations to enhance the posts' capabilities to resist a Benghazi-type attack. Recommendations range from a complete replacement of a facility to increasing the height of perimeter walls and upgrading Forced Entry/Ballistic Resistant windows and doors. Other recommendations included working with the host governments to improve the setback of the facility by installing anti-ram barriers beyond compound perimeters. A smaller number of recommendations focused on increasing security personnel and providing equipment to posts.

Question for the Record submitted to
Under Secretary of State Patrick Kennedy by
Representative Kay Granger (#5)
Subcommittee on State, Foreign Operations, and Related Programs
House Committee on Appropriations
February 14, 2013

Question:

In Secretary Clinton's testimony before the House Foreign Affairs Committee she stated that the 29 recommendations of the Benghazi Accountability Review Board have been broken down into 64 specific action items with "clear timelines" for completion. Please provide the Subcommittee with a list of those action items and timelines for completion. Also, please note the status of the action item at the time of submission.

Answer:

The 64 action items are used for our internal tracking purposes for the 29 recommendations by the Accountability Review Board (ARB). On January 31, the Department submitted a report to Congress on our response to the 29 recommendations and progress made on implementation. By next month we expect to complete half of the steps identified to implement the 29 recommendations and will continue to work hard on the rest.

As you and Chairman Rogers requested in your letter of February 5, the Department is also developing comprehensive plans for our security needs that will include projected timelines and budgets, as well as a prioritization of the most urgent requirements to begin addressing in

FY 2013. We expect to complete this in the coming weeks following enactment of the FY 2013 full-year appropriation. We are grateful that the House-passed Continuing Resolution for the balance of FY 2013 provides the additional funding needed now for security.

The forthcoming FY 2014 budget request will reflect the Administration's focus on the most urgent security needs, given the constrained fiscal environment we are operating within. We expect the Administration's budget to be submitted shortly, and, as is customary, for Secretary Kerry to appear before you to discuss all aspects of the Department's FY 2014 request. After this, we will be happy to brief you further on security aspects of the budget request, our plans for increased security, and the status of the ARB implementation.

Questions for the Record Submitted to
Under Secretary Patrick Kennedy
Representative Kay Granger (#6)
Subcommittee on State, Foreign Operation, and Related Programs
House Committee on Appropriations
February 14, 2013

Question:

Please provide the Subcommittee with the list of the 46 completed compound security projects mentioned in your testimony.

Answer:

Attached is the list of the 46 major compound security upgrade projects completed since 2005. We have recently completed an additional three projects (Amman, Bogota, and Amsterdam) and have 16 projects under contract.

These projects typically include upgrades to the perimeter of the compound as well as to the individual buildings. Upgrades at the perimeter of the compound include construction of compound access control and screening facilities, bollards, barriers, mantraps, fences, and walls. Upgrades to facilities on the compound include construction of public access control screening facilities and guard booths in the building lobbies, installation of forced entry and ballistic resistant doors and windows, and creation of safe havens and safe areas for employees and visitors.

Attachment to QFR#6

#	Bureau	Post Name	Requirement Description	Project Award FY	Completed - FY
1	EUR	BRATISLAVA	FY 2005 Major CSUP	2005	2007
2	EAP	CANBERRA	FY 2005 Major CSUP	2005	2008
3	WHA	GUATEMALA	FY 2005 Major CSUP	2005	2008
4	WHA	HERMOSILLO	FY 2005 Major CSUP	2005	2007
5	NEA	JEDDAH	FY 2005 Major CSUP	2005	2007
6	EUR	LISBON	FY 2005 Major CSUP	2005	2007
7	EUR	LONDON	FY 2005 Major CSUP	2005	2008
8	EUR	MADRID	FY 2005 Major CSUP	2005	2007
9	NEA	RABAT	FY 2005 Major CSUP	2005	2007
10	NEA	RIYADH	FY 2005 Major CSUP	2005	2009
11	WHA	SAN JOSE	FY 2005 Major CSUP	2005	2007
12	EUR	STRASBOURG	FY 2005 Major CSUP	2005	2007
13	EUR	THE HAGUE	FY 2005 Major CSUP	2005	2008
14	EUR	VIENNA	FY 2005 Major CSUP	2005	2007
15	EAP	VIENTIANE	FY 2005 Major CSUP	2005	2007
16	NEA	ALEXANDRIA	FY 2006 Major CSUP	2006	2008
17	EAP	BANGKOK	FY 2006 Major CSUP	2006	2009
18	NEA	CAIRO	FY 2006 Major CSUP	2006	2009
19	EAP	CHIANG MAI	FY 2006 Major CSUP	2006	2008
20	EAP	KUALA LUMPUR	FY 2006 Major CSUP	2006	2008
21	SCA	NEW DELHI	FY 2006 Major CSUP	2006	2008
22	SCA	COLOMBO	FY 2007 Major CSUP	2007	2009
23	NEA	DAMASCUS	FY 2007 Major CSUP	2007	2010
24	SCA	LAHORE	FY 2007 Major CSUP	2007	2010
25	EUR	MILAN	FY 2007 Major CSUP	2007	2008
26	EAP	NAHA	FY 2007 Major CSUP	2007	2009
27	EUR	NAPLES	FY 2007 Major CSUP	2007	2009
28	EUR	ADANA	FY 2008 Major CSUP	2008	2011
29	EUR	BARCELONA	FY 2008 Major CSUP	2008	2010
30	NEA	CASABLANCA	FY 2008 Major CSUP	2008	2010
31	AF	LAGOS	FY 2008 Major CSUP	2008	2012
32	NEA	SANAA	FY 2008 Major CSUP	2008	2010
33	AF	WINDHOEK	FY 2008 Major CSUP	2008	2009
34	EUR	BUDAPEST	FY 2009 Major CSUP	2009	2012
35	EUR	COPENHAGEN	FY 2009 Major CSUP	2009	2011
36	EUR	DUSSELDORF	FY 2009 Major CSUP	2009	2012
37	AF	LILONGWE	FY 2009 Major CSUP	2009	2012
38	NEA	MANAMA	FY 2009 Major CSUP	2009	2011
39	AF	MASERU	FY 2009 Major CSUP	2009	2011

40	EUR	MUNICH	FY 2009 Major CSUP	2009	2011
41	AF	PORT LOUIS	FY 2009 Major CSUP	2009	2011
42	WHA	QUEBEC	FY 2009 Major CSUP	2009	2010
43	AF	BANJUL	FY 2010 Major CSUP	2010	2012
44	EUR	FLORENCE	FY 2010 Major CSUP	2010	2011
45	EUR	PODGORICA	FY 2010 Major CSUP	2010	2012
46	EAP	SINGAPORE	FY 2010 Major CSUP	2010	2012

CSUP = Compound Security Upgrade Project

Questions for the Record Submitted to
Under Secretary Patrick Kennedy
Representative Kay Granger (#7)
Subcommittee on State, Foreign Operations, and Related Programs
House Committee on Appropriations
February 14, 2013

Question:

Will the reduced operational footprint in Iraq enable the Department to deploy direct hire Diplomatic Security staff to other high threat posts? If so, how many do you project will be redeployed?

Answer:

The reduced operational footprint in Iraq will enable the Department to redeploy direct-hire Diplomatic Security staff, both Special Agents and Security Protective Specialists elsewhere. The exact number of positions available for reprogramming and deployment from Iraq will depend on the threat environment, overall security conditions, and the size and scope of Mission Iraq operations.

Questions for the Record Submitted to
Under Secretary Patrick Kennedy
Representative Kay Granger (#8)
Subcommittee on State, Foreign Operations, and Related Programs
House Committee on Appropriations
February 14, 2013

Question:

Your testimony states that the Department is working with DOD to establish 35 additional Marine Security Guard Detachments around the globe. What is the estimated number of Marines required to support the Department's expanded Marine Security Guard Detachment proposal, including both those deployed at Marine Security Guard Detachments and those involved in training?

Answer:

The estimated number of Marines required to support the Department's expanded Marine Security Guard Detachment proposal is 350, including both those deployed at Marine Security Guard Detachments and those involved in training.

Questions for the Record Submitted to
Under Secretary Patrick Kennedy
Representative Kay Granger (#9)
Subcommittee on State, Foreign Operations, and Related Programs
House Committee on Appropriations
February 14, 2013

Question:

When does the Department of State expect to complete, and provide to the Committee, an update of the Long-Range Overseas Construction Plan?

Answer:

The Department's Bureau of Overseas Buildings Operations has completed the FY-13 Long Range Plan and has submitted the plan for interagency review. The plan will be published as soon as this review is completed. We expect to publish the plan by April 301, 2013. Copies will be made available to the Committee as soon the plan is published.

Question for the Record submitted to
Undersecretary of State Patrick Kennedy by
Representative Nita Lowey (#1a)
Subcommittee on State, Foreign Operations and Related Programs
House Committee on Appropriations
February 14, 2013

Question:

The Accountability Review Board completed its work on the terrorist attacks on the Special Mission Compound in Benghazi, Libya on December 19th of last year. The number one recommendation was that the Department must strengthen security for personnel and platforms beyond the traditional reliance on host government security in high risk/high threat posts and review the proper balance between acceptable risks and mission objectives. Please detail what steps the Department has taken to enhance security for personnel and missions in high risk/high threat environments.

Answer:

Immediately following the Benghazi attack, the Department took steps to review, and where appropriate, enhance the protection of our personnel and diplomatic posts overseas. The Department is fully committed to implementing the recommendations from the independent Benghazi Accountability Review Board.

While we continue to enhance the way we protect our people and facilities abroad, we have already made notable progress. We have created a new Deputy Assistant Secretary for High Threat Posts within the Bureau of Diplomatic Security, whose position and corresponding directorate focuses on specific posts

and is responsible for directing the mitigation of security threats, correcting vulnerabilities, and the focused management of resources. We have enhanced the way that the regional bureaus and the Bureau of Diplomatic Security coordinate on security issues – so that more information flows more quickly across the Department. We are providing Foreign Affairs Counter-Threat (FACT) training to more personnel going to high threat posts.

The Department with the assistance of the Department of Defense (DOD) also deployed five Interagency Security Assessment Teams to 19 posts in 13 countries. We are implementing the recommendations of these teams as well.

We greatly appreciate that the Congress has provided the State Department with additional authority and resources to hire more Diplomatic Security personnel, enhance the physical security of our facilities, and support additional Marine Security Guard detachments.

We recognize that a great deal of work remains to be done; under Secretary Kerry's leadership, we will continue to make improvements.

Question for the Record submitted to
Undersecretary of State Patrick Kennedy by
Representative Nita Lowey (#1b)
Subcommittee on State, Foreign Operations and Related Programs
House Committee on Appropriations
February 14, 2013

Question:

According to the Security Environment Threat List, over 50 percent of all posts fall under the terrorism threat levels of critical to high. What mechanisms are used to determine which post receives a high or critical designation? What circumstances and criteria warrant such a designation? How do you allocate resources compared to low or medium level facilities?

Answer:

The threat levels reflected in the Diplomatic Security (DS) Security Environment Threat List (SETL) are the result of initial input from posts that is received, assessed, and ultimately graded by DS headquarters, other State offices, and other agencies.

A post is rated Critical or High for terrorism when Post determined there are anti-American terrorists active in the host nation.

Diplomatic Security budgets by program, not by post or country. In the execution of the budget each fiscal year, the individual DS programs then allocate resources as needed based on the life cycle, emergent requirements, risk, and other factors.

Question for the Record submitted to
Undersecretary of State Patrick Kennedy by
Representative Nita Lowey (#1c)
Subcommittee on State, Foreign Operations and Related Programs
House Committee on Appropriations
February 14, 2013

Question:

In Libya we had a host government that appeared willing to support our missions, but in reality we were relying on a militia for host nation protection. Clearly this turned out to be a worst case situation. Since over 50 percent of the posts are considered high risk or critical, what is the Department doing to address the security at these missions? Are we still relying on quasi-official security? Where else does the Department use local militias for security?

Answer:

Host nations generally provide additional protection for diplomatic personnel within their borders. Libyan governmental authorities designated the February 17th Brigade personnel to provide us with security in Benghazi.

Libya was unique. I will be happy to send experts to brief you on our security posture in high threat locations.

Questions for the Record Submitted to
Under Secretary of State Patrick Kennedy by
Representative Nita Lowey (#2)
Subcommittee on State, Foreign Operations and Related Programs
House Committee on Appropriations
February 14, 2013

Question:

The U.S. presence in Benghazi was not technically an Embassy or a Consulate, but a new category of "expeditionary post." How have the events in Benghazi changed the way the State Department is planning for temporary surges in personnel? What is the minimum security standard for the occupation of such temporary or "expeditionary posts" in unstable or transitioning threat environments? Do you have the resources to ensure that these "expeditionary posts" receive the proper equipment and the supplies to counter various types of threats? What other diplomatic posts currently in use are temporary in nature? What changes are planned to provide more continuity and stability? Are there sufficient Diplomatic Security agents to support these temporary or expeditionary posts? Can you use contractor security personnel in these locations?

Answer:

Based on the recommendations of the Accountability Review Board (ARB), posts worldwide have been reminded by a policy guidance cable that all high threat posts have a minimum of a one year tour of duty to ensure continuity of leadership for all key policy, program, and security personnel. The same policy guidance cable announced that temporary duty coverage for staffing gaps in key policy, program, and security positions must be for a minimum of 120 days. The Department is also endeavoring to ensure a meaningful overlap between incumbent and incoming personnel to facilitate continuity of operations at high threat posts.

The ARB also recommended a comprehensive review of human resources authorities with an eye to using those authorities to promote more experienced officers, including retired employees on temporary appointments working on an intermittent basis (commonly referred to as "When Actually Employed" personnel), to these high risk, high threat locations, particularly in security and management positions, for longer periods of time. The Bureau of Human Resources reviewed the Department's existing authorities and is requesting a legislative change to the Department's current authority to waive the salary and annuity limitations placed on retired Foreign Service employees so that reemployed annuitants may fill staffing gaps over extended periods at high threat posts and in other difficult-to-fill Department positions without terminating their retirement benefits. The Department is also exploring options for an exemption on salary/annuity limitations to Civil Service employees, which will require additional approval from OPM and additional legislative changes.

As we indicated in the January 2013, Report to Congress on actions taken by the Department to implement the Benghazi Accountability Review Board's recommendations, the interagency Overseas Security Policy Board's standards apply to all facilities, including temporary facilities in any location. The Department has reissued this long-established policy to all posts, and the process for obtaining a waiver or exception to applicable standards, if needed.

In addition, on November 7, 2012, the Department greatly appreciates the transmitted a proposal to increased security funding for additional Diplomatic Security personnel provided by the to Congress. Our request encompassed proposes $129.7 million for an increased staff presence and the use of state-of-the-art technology to enhance protection for personnel and facilities at the Department's overseas locations, which will bolster our security posture by enabling us to hire more security professionals and provide additional security enhancements for their use. The Department is also appreciates the currently pursuing additional authorities that would permit the transfer of previously appropriated Overseas Contingency Operations funding between State Operations accounts to address urgent diplomatic security requirements.

The Under Secretary for Management has approved an allocation plan to direct the assignment of the additional Diplomatic Security agents provided in enacted through our proposal. Additional agents will first be allocated to fill needs at high threat posts, and then to posts that currently have either no Diplomatic Security presence, or require would benefit from additional staff to meet security needs.

Finally, regarding your question on other diplomatic posts that are temporary in natures, the Department of State has stood up temporary facilities in Goma, the

Democratic Republic of the Congo, and El Fasher, Sudan. However, operations at both of these facilities are currently suspended due to civil unrest in both locations.

Question for the Record submitted to
Undersecretary of State Patrick Kennedy by
Representative Nita Lowey (#3a)
Subcommittee on State, Foreign Operations and Related Programs
House Committee on Appropriations
February 14, 2013

Question:

The State Department recently created the role of Deputy Assistant Secretary of State for High Threat Posts. It is important to not just focus on those posts determined to be "high threat," as all U.S. posts are potentially under threat. For example, Turkey does not fall within the responsibilities of the new Deputy Assistant Secretary for High Threat Posts, nor does Thailand where our consulate was threatened recently. Also, Kenya was considered a medium threat post when attacked in 1998. How can the Department balance the need for resources and attention across posts globally, given that threats can surface anywhere? In what ways will the Department ensure that the new focus on "High Threat Posts" does not distract from other existing needs? What tools will be given to the Deputy Assistant Secretary to succeed in their mission to protect high threat posts?

Answer:

The Department completely agrees that all U.S. posts are potentially under threat. We are is fully committed to protecting our people and facilities wherever they are located. Of course, resources are finite and the manner in which they are applied must be carefully managed and tailored to the security environment of each post. Rather than diminishing the attention that security concerns at other posts receive, the new Deputy Assistant Secretary (DAS) of State for High Threat Posts will focus on the specific challenges facing certain high threat posts, which will

enable the DAS for International Operations to focus on the rest of the world. other DS experts to focus on other challenges. Each DS component has distinct responsibilities, including providing appropriate support to other DS components. Following the recommendation of the independent Accountability Review Board, we have started a comprehensive review of Diplomatic Security's organization and management structure and will continue to improve the way we provide security to our people and posts.

As noted, security environments can change quickly, so we proactively assess the threat situation on a regular and systematic basis to prepare for all contingencies and so we will better be able to act in a time urgent manner when necessary to securing our people and facilities. To ensure that resources and personnel are correctly focused, the Department assesses a number of factors for each post, including:

- Host nation capability and willingness to provide protection;
- Known or perceived threat;
- Facility vulnerabilities.

With respect to the directorate of the DAS for High Threat Posts, the DAS will be supported by some of our most senior security professionals. This DAS will have direct control over overseas protective security operations at relevant posts and will be able to draw on other resources throughout the Department or other United States government agencies. The DAS will be responsible for evaluating, managing, and mitigating security threats, as well as the direction of resource requirements at high threat diplomatic missions.

Question for the Record submitted to
Undersecretary of State Patrick Kennedy by
Representative Nita Lowey (#3b)
Subcommittee on State, Foreign Operations and Related Programs
House Committee on Appropriations
February 14, 2013

Question:

The accountability review board recommended the Department develop a security standard for the occupation of temporary facilities in high-risk, high-threat environments. What is the minimum security standard for the occupation of such temporary facilities in high-risk, high-threat environments?

Answer:

Overseas Security Policy Board (OSPB) standards, and the Departments physical security standards codified in the Foreign Affairs Manual and the Foreign Affairs Handbook, already apply to all permanent, interim, and temporary diplomatic facilities under Chief of Mission authority. If our national security needs require it, the Department will deploy personnel immediately, begin making the changes required by the OSPB standards, take other risk mitigation steps, and continue to make the OSPB mandated changes until they are either waived or completed.

In addition, all newly constructed United States government embassy or consulate facilities must conform to the collocation and setback requirements set forth in the Secure Embassy Construction and Counterterrorism Act of 1999. There is a process for waivers or exceptions when justification indicates that it is in

the national interest to do so, and there are mitigating measures are to balance the risk.

Question for the Record submitted to
Under Secretary of State Patrick Kennedy by
Representative Nita Lowey (#4a)
Subcommittee on State, Foreign Operations and Related Programs
House Committee on Appropriations
February 14, 2013

Question:

Since the Tanzania and Kenya bombings in 1998, the ultimate goal of the Department has been to construct 150 new embassies by 2018, at a total cost of over $17.5 billion. The Department has finished 70 new embassies. We all want to maintain the safest work environment for our men and women overseas. But escalating construction, commodity, labor costs, and the depreciation of the dollar threaten to prevent the attainment of that very important goal. Additionally, GAO has reported that costs for maintaining the new embassies have increased further squeezing the D&CP account and making it more difficult to make progress on new embassies or other diplomatic posts. So either the program must be scaled back, additional resources identified, or the program stretched beyond 2018.

What systems are in place to plan, budget, and track operations and maintenance costs?

Answer:

As part of the process of constructing a new facility, Bureau of Overseas Buildings Operations (OBO) staff prepare cost estimates for the maintenance staff required and the estimated utility costs. These costs are provided to the respective regional bureaus for incorporation into their future Diplomatic and Consular Programs (D&CP) budget requests. Facility manager costs are borne by OBO and are included in the Embassy Security, Construction, and Maintenance (ESCM) budget. OBO estimates for routine maintenance costs are based on industry

averages and the gross square meter area of the facilities to be maintained. These routine maintenance costs are incorporated in the ESCM budget for the Department of State, and tenant agencies include their share as part of the maintenance cost sharing program. OBO is beta testing a web-based maintenance management system that will provide improved assessment of maintenance costs at posts. Maintenance staff and utility costs are tracked and billed through the International Cooperative Administrative Support Services (ICASS) to each tenant agency.

In addition, the Department is taking a number of steps to control the cost to operate our new facilities:

- Improving efficiency of energy and water use, to include advanced technologies such as photovoltaics, solar hot water, combined heat and power systems, ground source heat pumps, dedicated heat recovery chillers, LED lighting, constructed wetlands, and reuse of grey water;
- Making maximum use of value engineering to achieve essential functionality at the lowest life-cycle cost consistent with required performance, reliability, quality, and safety;

- Improving the facility management program, to include upgrading the necessary qualifications to become a facility manager (FM), instituting a more comprehensive facility manager training curriculum, and deploying Operations and Maintenance (O&M) coordinators to augment FMs for efficient equipment operation and training of local maintenance staff;

- Benchmarking building performance against comparable properties;

- Benchmarking energy and sustainability through the Leadership in Energy and Environmental Design (LEED) Green Building Rating System. Fourteen new embassies have been LEED certified, with another 30 registered to earn certification. This is not just symbolic; rather LEED provides building owners the tools to immediately impact their building's performance and thus its operating costs;. bottom line.

- Establishing a Utility Data Portal for posts to enter utility usage/cost information in one comprehensive database allowing for the review of worldwide data and the ability to identify trends and better manage and report on facility performance; and,

- Implementing lessons learned from previously completed projects to provide continuous improvement to the efficiency of the facilities.

Examples include: light harvesting to reduce energy consumption; highly reflective roofing materials to reduce solar heat absorption; lighting controls to dim lights when day light is available, point of use water heaters; low flow/dual flush toilet fixtures; use of high performance design and landscaping to reduce life-cycle costs; water-efficient irrigation systems and drought tolerant planting; and modernizing blast-resistant window products for increased thermal performance.

A key tenet of OBO's Design Excellence initiative is to ensure that buildings and grounds will incorporate sustainable design and energy efficiency. Buildings will be as economical to operate and maintain as possible and will utilize equipment and materials that are durable, dependable and suitable. Designs will be based on life-cycle analysis of options that take into account long-term operations and maintenance concerns.

Questions for the Record Submitted to
Under Secretary of State Patrick Kennedy by
Representative Nita Lowey (#4b, c, d)
Subcommittee on State, Foreign Operations and Related Programs
House Committee on Appropriations
February 14, 2013

Question:

b) Both the funding requests for diplomatic security and the appropriated levels have grown exponentially in recent years. We need to provide the necessary resources, but we need to do so wisely. To what extent is embassy security a problem of resources, or a problem of priorities?

c) Did the security needs in Iraq affect the requested or appropriated security funds for all other U.S. overseas missions?

d) Did the focus on Iraq contribute to the de-prioritization of missions like Benghazi?

Answer:

b) We live in a fiscally constrained world, but the safety and security of our diplomats and development experts must continue to be the top priority for the United States Government. Since FY 2007, the Department has consistently requested greater funding for embassy construction and diplomatic security, but, with the exception of FY 2010, the Congress has consistently enacted less than requested. Most notably in FY 2012, the Department received $340 million less than requested, close to 10 percent less.

The independent Benghazi Accountability Review Board (ARB) report found that, "For many years the State Department has been engaged in a struggle

to obtain the resources necessary to carry out its work, with varying degrees of success. This has brought about a deep sense of the importance of husbanding resources to meet the highest priorities, laudable in the extreme in any government department." However, the report went onto say that "At the same time, it is imperative for the State Department to be mission-driven, rather than resource-constrained – particularly when being present in increasingly risky areas of the world is integral to U.S. national security."

c) Prioritization is an issue of resources on a global level; the levels requested for Iraq security needs in the President's budget did not affect the funds requested or appropriated for all other U.S. overseas missions.

We continually re-examine how we allocate resources to security requests, as well as continue to work with the Congress to ensure we have adequate resources to protect all the U.S. government personnel the diplomats and development experts carrying out their vital national security missions abroad.

d) The Department balances its available resources globally, to ensure that security is maximized at posts around the world. Global resource constraints come into play when supporting 2785 posts in 1970 countries, when the security environment overseas at times can deteriorate rapidly. However, experience has taught us that when America is absent – especially from the most dangerous places

– there are consequences: our national security is threatened, extremism takes root, and our interests suffer.

The 1998 ARB report on Dar es Salaam and Nairobi recommended that State hire and deploy more RSOs overseas. In 2000, we had about 400 RSOs abroad, with over 850 in 2012. The Benghazi ARB also recommended more hiring for diplomatic security to address the increased security risks faced by the Department globally. As a result, we formulated an Increased Security Proposal (ISP) and deeply appreciate that the have requested Congress provided the State Department with additional authority and resources to hire more Bureau of Diplomatic Security (DS) personnel, enhance physical security of our facilities, and support additional Marine Security Guard detachments.

The Department is also appreciates the pursuing additional authorities that will ould permit the transfer of previously appropriated Overseas Contingency Operations funding between State Operations accounts to address urgent requirements.

Currently, in the Continuing Resolution for the remainder of FY 2013, we are pleased that both House and Senate versions provide greater funding flexibility for enhanced diplomatic security. These funds are requested by the Department to support implementation of recommendations made by the ARB. Both bills provide

$1.4 billion for the ISP requirements, including $1.26 billion for facility construction and upgrades, and $158 million for DS security upgrades.

The forthcoming FY 2014 budget request will reflect the Administration's focus on the most urgent security needs, given the constrained fiscal environment we are operating within.

Question for the Record submitted to
Undersecretary of State Patrick Kennedy by
Representative Nita Lowey (#5a)
Subcommittee on State, Foreign Operations and Related Programs
House Committee on Appropriations
February 14, 2013

Question:

The incident in Benghazi raised new questions about the role of the military, and specifically, the Marine Corps Guard stationed at 152 embassies and missions around the world, in the security of diplomatic missions. The State Department has recently asked the subcommittee to reprogram funds to allow for an additional 35 Marine Corps Security Guard detachments at selected missions. Is an expansion of this mandate under discussion?

Answer:

The Department has engaged with the Department of Defense on defining requirements for identified high risk posts that will require additional Marine Security Guards, as well as increasing the overall number of Marine Security Guard detachments overseas. In anticipation of the FY2014 budget, the Department has refined the follow-on costs for FY 2014. The Department deeply appreciates the additional authorities that permit the transfer of previously appropriated funds to increase security at U.S. Embassies and other overseas posts.

The mission of the Marine Security Guard program has not and will not change to any substantive degree, other than to place the protection of U.S. personnel and internal defense on an equal footing with the Marines' role in protecting classified information.

Question for the Record submitted to
Undersecretary of State Patrick Kennedy by
Representative Nita Lowey (#5b)
Subcommittee on State, Foreign Operations and Related Programs
House Committee on Appropriations
February 14, 2013

Question:

It is my understanding that there are an additional 55 Marines posted in Tunisia and 105 posted in Yemen. Is this a change to the primary mission of the Marines in Tunisia and Yemen?

Answer:

During extraordinary security circumstances, the Department of State has requested additional resources from the Department of Defense (DOD) beyond that of the longstanding Marine Security Guard (MSG) program. In response to the violence in Yemen, for example, DOD provided reinforcements for the physical security of our diplomatic facilities in Sana'a, and our Embassy in Tunis. In fact, at least half the number of the 105 Marines in Yemen preceded the September 2012 attack. These units are separate from the permanent MSG detachments in both countries, but all fall under the tactical control of the Regional Security Officer (RSO). The mission of the MSG detachments in Sana'a, Tunis and elsewhere remains unchanged, i.e. to provide protection for U.S. citizens, and to prevent the

compromise of classified information and equipment within designated U.S. diplomatic and consular premises.

Question for the Record submitted to
Undersecretary of State Patrick Kennedy by
Representative Nita Lowey (#5c)
Subcommittee on State, Foreign Operations and Related Programs
House Committee on Appropriations
February 14, 2013

Question:

It has been reported that the Marine Corps could face significant challenges fulfilling a new congressional directive to nearly double its number of embassy security guards at a time when the service is drawing down its active-duty force. Given the challenges of growing such a force quickly, especially in challenging budgetary times, how would State address a potential delay in the deployment of these additional Marine detachments?

Answer:

The establishment of the 35 MSG new detachments is projected to take place over several years. The USMC is currently planning, in parallel, to create a security augmentation capability based in Quantico, which could provide temporary support at facilities without a traditional MSG detachment and could surge support to posts in a crisis or bridge the stand-up of a detachment at a particular post. Nine Security Augmentations Units (SAU), trained to the MSG course standards, will be used temporarily to address shortfalls during period in which the new detachments will be established.

Question for the Record Submitted to
Under Secretary Patrick Kennedy by
Representative Nita Lowey (#6)
Subcommittee on State, Foreign Operations, and Related Programs
House Committee on Appropriations
February 14, 2013

Question:

The Benghazi attack has renewed concerns about the exposure of U.S. government civilians to attack in high-threat areas. Civilian security has also been central to the discussion about how to drawdown the military presence in areas such as Iraq and Afghanistan while enabling a strengthened diplomatic and development presence. The planning of the State Department presence in Iraq has evolved greatly and we should be better prepared in Afghanistan for the challenges we are likely to face. (1) What lessons has State learned from the transition in Iraq, and from the attack in Benghazi, that will be applied to the security situation in Afghanistan going forward? (2) With the president's announcement of troop withdrawal, what are State's expectations regarding the contribution, if any, that the Defense Department will make to the security of U.S. civilians in Afghanistan after the transition? (3) Do you expect the Department of State to modify its request for embassy operations in Afghanistan for FY 2013 and beyond?

Answer:

Security is a central facet of our overall planning for our presence in post-2014 Afghanistan. The main lesson the Department of State has learned from the Iraq transition is that early transition planning is essential. It requires a "whole- of-government" approach, which includes a strong interagency planning mechanism. To that end, the Department of State, with the Department of Defense, co-chairs the Executive Steering Group (ESG) on Afghanistan to jointly assess developments related to transition planning in Afghanistan. The

Department of State has also established the Afghanistan Transition Coordination Group (TCG), a civilian interagency coordination group charged with managing security coordination, among other issues. The TCG Security working group is chaired by a representative from the Bureau of Diplomatic Security and works collectively with the interagency and our missions in Afghanistan to address security concerns.

With regards to Benghazi, the Department took immediate steps to review, and where appropriate, enhance the protection of our personnel and diplomatic posts overseas. We continue to enhance the way we protect our people and facilities abroad, and have already made notable progress. For example: we have created a new Deputy Assistant Secretary for High Threat Posts within the Bureau of Diplomatic Security whose position and corresponding directorate focuses on specific posts and is responsible for directing the mitigation of security threats, correcting vulnerabilities, and the focused management of resources. We have also enhanced changed the way regional bureaus and the Bureau of Diplomatic Security engages each other – so that information flows more quickly across the Department. These changes, combined with our robust interagency approach to planning for security in Afghanistan represent our efforts to collectively apply lessons learned from the transition in Iraq, and the Benghazi attacks.

The Department of State will continue to rely on the Department of Defense for certain security support, and is coordinating closely with the Department of Defense and the interagency through the co-chaired Executive Steering Group (ESG) on Afghanistan. , which jointly assess developments related to transition planning in Afghanistan.

The Department of State does not expect to modify its FY13 request for embassy operations in Afghanistan. The Department is factoring the President's announced troop withdrawal into its FY14 budget and will continue to make necessary modifications as further announcements are made by the President.

Question for the Record submitted to
Undersecretary of State Patrick Kennedy by
Representative Nita Lowey (#7a)
Subcommittee on State, Foreign Operations and Related Programs
House Committee on Appropriations
February 14, 2013

Responsibilities under the Vienna Convention

Under the 1961 Vienna Convention on Diplomatic Relations, nearly all countries participate in reciprocal obligations to guard diplomatic facilities in their territory. Despite this obligation, U.S. facilities suffered millions of dollars in damages this fall during protests and violence directed toward embassies and consulates in places such as Egypt, Sudan, and Yemen, not to mention Libya.

Question:

Does the State Department plan to seek reimbursement from host countries for these repairs when the host country neglects to, or are not able to, protect U.S. property?

Answer:

The U.S. embassies in Tunisia, Yemen, Sudan, India, and Egypt have sent diplomatic notes to the governments of these countries requesting seeking reimbursement.

The government of Tunisia indicated a desire to discuss this matter further; we arewill following up with the other countries.

Question for the Record submitted to
Under Secretary of State Patrick Kennedy by
Representative Nita Lowey (#7b)
Subcommittee on State, Foreign Operations and Related Programs
House Committee on Appropriations
February 14, 2013

Question:

Has the Administration considered withholding assistance in amounts equal to the damage incurred? Do you feel this would be helpful in reminding host countries of their responsibilities?

Answer:

The September 2012 attacks on our mission in Benghazi and protests at our embassies in the region, including Egypt, Tunisia, Yemen and Sudan, made it tragically clear that as we tackle new challenges, we face a new risk environment overseas. The Administration has voiced our concerns to the highest levels of government in these countries that inadequate protection of our embassies and consulates that allows for such damage to our property and risks the safety of our personnel cannot continue. In addition, the Department has submitted diplomatic notes to the host governments requesting reimbursement for damages incurred.

We do not plan to withhold assistance in amounts equal to the damage incurred. We use our assistance in Middle East and North Africa as a tool to improve regional stability and build new partnerships with the citizens who will

shape their countries' futures. We do not believe withholding this assistance will in any way make these countries safer for our personnel; conversely, doing so could bring more insecurity to the region.

We agree that we must provide the men and women from across the U.S. government who work and live at our posts the safe and secure environment they need to do their jobs.

Question for the Record submitted to
Undersecretary of State Patrick Kennedy by
Representative Nita Lowey (#8)
Subcommittee on State, Foreign Operations and Related Programs
House Committee on Appropriations
February 14, 2013

Question:

In February of last year, the State Department Office of Inspector General published its review of expanding the best-value contract award method and its possible application to local guard contracts worldwide. The OIG stated that it could not determine whether "best-value local guard contracting" would be more cost effective, but it would likely improve contractor performance. Does the Department support having the flexibility to use best value guard contracting authority at any embassy you deem it appropriate to protect our diplomats? If Congress were to give you this flexibility would it improve your ability to protect the lives of American diplomats serving overseas?

Answer:

The Department of State supports having the flexibility to use best value tradeoffs in the selection of local guard contracts; as such flexibility would enable us to enhance security for our people and facilities in certain situations.

The Department appreciates the Congressional action to expand best value contracting from Afghanistan, Pakistan, and Iraq to additional high threat posts.

Question for the Record submitted to
Undersecretary of State Patrick Kennedy by
Representative Nita Lowey (#9)
Subcommittee on State, Foreign Operations and Related Programs
House Committee on Appropriations
February 14, 2013

Question:

I am sure you are familiar with the article in the January edition of Foreign Policy Magazine titled "Mutiny in Kabul." It cites several security issues surrounding the U.S. embassy compound in Afghanistan and the issues raised by security contractors there who do not feel that security is being adequately handled. Among the problems cited in the article are guards being required to work 14-15 hour days with limited time off, low morale, limited training, and high staff turnover. Local guards have reportedly raised their concerns repeatedly with Embassy leadership. How are these country-level concerns communicated to State Department leadership and figured into decision-making? How many of the issues mentioned in the article are exacerbated by the State Department's reliance on lowest-price contracting? If Afghanistan, Pakistan, and Iraq are allowed to use best-value contracting, why should this not be employed by all of our security contracts? Why aren't we working with the most capable firms possible to protect our missions and embassies?

Answer:

During the summer of 2012, responsibility for Embassy Kabul's private security guard contract transitioned from ArmorGroup North America (AGNA) to Aegis LLC. During the period of the transition, a small fraction of the guard staff, 43 of approximately 1000 security personnel, signed a petition stating they lost confidence in senior Aegis leadership.

Our personnel in Kabul immediately informed the program office in Washington about the guards' concerns regarding senior Aegis personnel on the ground at that time, and the Department took swift action. The day after receiving the petition, Embassy Kabul, coordinating closely with Washington, initiated several days of roundtable discussions with those who wanted to voice their concerns. Many personnel participated in those discussions, which centered around administrative, as well as morale, welfare, and recreation issues in conjunction with the contractual transition from AGNA to Aegis.

After the roundtable discussions, the Regional Security Officer reviewed the security program at Embassy Kabul, taking into consideration points that were raised during the discussions and other factors, and determined that security policies and procedures remained sound.

Since FY2010, the Department has supported in each successive year language in Foreign Relations Authorization Act proposals that would amend the law (22 U.S.C. §4864) to give the Secretary of State permanent authority to award local guard contracts worldwide on the basis of best value, as determined by a cost-technical trade-off analysis. The Department appreciates the Congressional action to expand best value contracting to additional high threat posts, and The Department will continue to work with Congress to revise our contracting

authorities to allow flexibility in using either best value or lowest price technically acceptable awards.

Questions for the Record Submitted to
Under Secretary Patrick Kennedy
Representative Jack Kingston (#1)
Subcommittee on State, Foreign Operation, and Related Programs
House Committee on Appropriations
February 14, 2013

Question:

Regarding the events in Benghazi on September 11, 2012, was there an established emergency protocol in place at the Special Mission Compound and Annex at the time of the attack? Was it followed?

Answer:

There was an established emergency protocol in place at our facilities in Benghazi at the time of the attack. Regular drills on this protocol were conducted and U.S. personnel followed those instructions on the day of the attacks.

Questions for the Record Submitted to
Under Secretary of State Patrick Kennedy by
Representative Jack Kingston (#2)
Subcommittee on State, Foreign Operations, and Related Programs
House Committee on Appropriations
February 14, 2013

Question:

Were the events that unfolded a result of failures to properly prepare personnel operating in a high threat environment?

Answer:

The independent Accountability Review Board report stressed the heroism of the American security personnel in Benghazi, pointing out that they repeatedly risked their lives in the course of the attacks on the two compounds and that the training they received was instrumental in the evacuation and the emergency medical care provided to injured personnel.

The State Department is committed to honoring those heroes and their colleagues advancing America's interests around the world by fully implementing the recommendations of the ARB and going beyond them. Implementation is well underway on all 29 recommendations. As we continue the process, we look forward to working with the Congress to ensure that the State Department has the necessary resources and authorities to protect our diplomats and development experts.

Question for the Record submitted to
Under Secretary of State Patrick Kennedy by
Representative Jack Kingston (#3)
Subcommittee on State, Foreign Operations and Related Programs
House Committee on Appropriations
February 14, 2013

Question:

How can this administration make a case for additional resources for physical security when the Accountability Review Board (ARB) highlights that it was numerous human failures by senior management that led to the tragic events that night?

Answer:

While we live in a fiscally constrained world, the safety and security of our diplomats and development experts must continue to be a top priority for the U.S. government. Since 2007, the Department has consistently requested greater funding for embassy construction and diplomatic security, but, with the exception of 2010, the Congress has consistently enacted less than requested. Most notably in 2012, the Department received $340 million less than requested, close to 10 percent less.

Since the tragedy in Benghazi, we have requested that Congress provide the State Department with additional authority and resources to hire more Diplomatic Security (DS) personnel, enhance physical security of our facilities, and support

additional Marine Security Guard detachments. We greatly appreciate the increased funding we have just received in the 2013 Continuing Resolution.

The independent Benghazi Accountability Review Board (ARB) report found that, "For many years the State Department has been engaged in a struggle to obtain the resources necessary to carry out its work, with varying degrees of success. This has brought about a deep sense of the importance of husbanding resources to meet the highest priorities, laudable in the extreme in any government department."

Question for the Record submitted to
Under Secretary of State Patrick Kennedy by
Representative Jack Kingston (#4)
Subcommittee on State, Foreign Operations and Related Programs
House Committee on Appropriations
February 14, 2013

Question

Following the findings of the ARB, who has been held responsible within the Department of State? What are their names? Exactly what personnel actions have been taken?

Answer

Following the ARB, four employees are no longer serving in the positions to which they were assigned. Information regarding personnel actions is protected by the Privacy Act. All personnel actions must follow all applicable laws and regulations.

Questions for the Record Submitted to
Under Secretary Patrick Kennedy
Representative Jack Kingston (#5)
Subcommittee on State, Foreign Operation, and Related Programs
House Committee on Appropriations
February 14, 2013

Question:

Have the events of the Arab Spring led to more peaceful or civil relations between our Missions in Egypt and the Maghreb and their host countries? If so, has this led to any of these facilities lowering their threat levels?

Answer:

The United States supported and will continue to support the people of the Arab world in their pursuit of democracy and freedom after decades of dictatorships. Although the revolutions in Tunisia, Egypt, and Libya have resulted in the fall of these repressive regimes, significant challenges to democratic transition in these countries remain. We are working with the new governments in these countries to facilitate peaceful transitions to democracy.

We also continue to assess the necessary security precautions at our facilities in these countries based on an always fluid set of circumstances on the ground. As President Obama noted in his speech at the 67th UN General Assembly in September 2012, "even with its challenges, ultimately government of, by and for

the people is more likely to bring about the stability, prosperity, and individual opportunity that serve as a basis for peace in our world."

Question for the Record submitted to
Under Secretary of State Patrick Kennedy by
Representative Barbara Lee (#1)
Subcommittee on State, Foreign Operations and Related Programs
House Committee on Appropriations
February 14, 2013

Question:

With regards to the State Department's "robust presence", the State Department is now operating in high-threat locations where, in the past, it would not have had a presence, stretching its diplomatic security capabilities and resources. To what extent do you think the needs generated by this extended posture of the State Department in the frontline states of Afghanistan, Pakistan, and Iraq consume an excessive amount of the Department's security resources and attention?

Answer:

The Department balances its available resources globally, to ensure that security is maximized at posts around the world. Resource constraints on a global level come into play when supporting 275 posts in 190 countries, at a time when the security environment overseas can deteriorate rapidly. However, we have learned again and again that when America is absent – especially from the dangerous places – there are consequences: extremism takes root, our interests suffer, and our national security is threatened.

While we live in a fiscally constrained world, the safety and security of our diplomats and development experts must continue to be a top priority for the U.S. government. Since FY 2007, the Department has consistently requested greater funding for embassy construction and diplomatic security, but, with the exception of FY 2010, the Congress has consistently enacted less than requested. Most notably in FY 2012, the Department received $340 million less than requested, close to 10 percent less. The Accountability Review Board (ARB) report also noted that the Department had been operating under resource constraints.

As a result, we formulated an Increased Security Proposal (ISP) and requested that Congress provide the State Department with additional authority and resources to hire more Bureau of Diplomatic Security (DS) personnel, enhance physical security of our facilities, and support additional Marine Security Guard detachments. The Department is also pursuing additional authorities that would

permit the transfer of previously appropriated Overseas Contingency Operations funding between State Operations accounts to address urgent requirements.

Currently, in the Continuing Resolution for the remainder of FY 2013, we are pleased that both House and Senate versions provide greater funding flexibility for enhanced diplomatic security. These funds are requested by the Department to support implementation of recommendations made by the ARB. Both bills provide $1.4 billion for the ISP requirements, including $1.26 billion for facility construction and upgrades, and $158 million for DS security upgrades.

The forthcoming FY 2014 budget request will reflect the Administration's focus on the most urgent security needs, given the constrained fiscal environment we are operating within.

Questions for the Record Submitted to
Under Secretary Patrick Kennedy
Representative Barbara Lee (#2)
Subcommittee on State, Foreign Operations, and Related Programs
House Committee on Appropriations
February 14, 2013

Question:

Like in all international settings, diplomatic staff and development workers will require appropriate security protection in Afghanistan, and we should commit to protecting the important gains made by Afghan women and girls. Can you comment to what the needs may be in future years, considering that the U.S. is beginning a slow pull out of American troops? Does the administration have a strategy to ensure a greater percentage of aid flows directly to Afghan-led NGOs?

Answer:

The United States committed to an enduring partnership with Afghanistan when the President signed the Strategic Partnership Agreement with President Karzai in May 2012. As we implement the assistance programs that help underpin this agreement, especially those focused on women and girls, we are working to ensure that projects in which we have invested in Afghanistan are sustainable beyond 2014. We realize that the drawdown of international troops will present challenges to the implementation of our assistance programs, and we are changing the way we do business, focusing on Afghan solutions and developing new oversight mechanisms to ensure proper monitoring to guard against fraud and waste.

We view the participation of Afghan organizations in the country's development as essential to the sustainability of our efforts. In addition to set-asides for Afghan organizations, the United States is implementing a policy of Afghan First using special authorities provided by Congress to give preference to

Afghan firms for participation in development and security assistance programs. For instance, USAID currently has in its portfolio $278 million in projects directly with Afghan firms. The United States is also working to responsibly increase the amount of our assistance that is implemented "on-budget" through the Afghan Government. Increased on-budget assistance helps to build Afghan capacity and ensures a greater percentage of the funding is available to Afghan local partners and remains in the Afghan economy.

With respect specifically to programs focused on women and girls, they continue to be a critical element to our strategy. With the tireless efforts of Afghan women and consistent support from the international community, Afghanistan has made significant progress toward realizing the potential of women and girls in all aspects of society. Girls now make up more than a third of enrolled students throughout the country. Women are represented in parliament and on provincial councils, businesswomen and female entrepreneurs are playing a key role in the economic development of their country. Life expectancy for women has risen from 44 years in 2001 to 64 years today and female activists are actively advocating for social justice and seeking a peaceful resolution to the Afghan conflict. Yet challenges remain, and the full potential of Afghan women to grow the economy and contribute to decision-making on Afghanistan's future stability and security is still greatly underutilized. Women remain grossly underrepresented in Afghan government ministries and are largely absent in the discussion on Afghan security and development. While there are women on the High Peace Council and Provincial Peace Councils, these women, along with civil society representatives, are too often not taken seriously or are not meaningfully engaged in peace negotiations or discussions. Security for women and safeguarding their rights through the implementation of Afghan laws protecting their human rights, such as the Elimination of Violence Against Women law, will be vital as the United States and international community gradually withdraws.

Given the importance of this issue, the United States has made consistent and concerted efforts to integrate women's rights into its overall policies and strategy in Afghanistan. Our concerns about Afghan women's rights have not only been at the top of the agenda for our own policies and programs, but we have repeatedly and consistently reminded and encouraged President Karzai, Foreign Minister Rassoul and other Afghan leaders to promote women's rights and to incorporate gender issues into all aspects of their government's policies. An interagency working group at U.S. Embassy Kabul specifically focused on gender issues meets bi-weekly and recently adopted a new "Gender Strategy" that highlights the need to mainstream gender issues into all of our policies and

programs through transition and the transformation decade. Implementation of this strategy will help to ensure that women are not disproportionately affected by any decreases in U.S. funding in Afghanistan.

The Public Affairs Section (PAS) of US Embassy Kabul has given $5 million in grants to women-led Afghan NGO's to conduct capacity building trainings in advocacy, entrepreneurship, and one to catalogue for investors women-owned businesses throughout the country. PAS also gives substantial scholarships to women for degrees in non-traditional areas such as IT, business, and public administration to encourage more women participation throughout society.

The United States remains committed to supporting Afghan women and girls and is implementing a number of programs to strengthen their role in Afghan society. USAID is developing the Women in Transition (WIT) project as a multi-year standalone program to promote opportunities for educated Afghan women in the private sector and in government service. The initial projected budget for the first year of the program is $55 million and one of the five project components has been set aside for an Afghan-women led organization. The United States will also continue to provide direct support to the Afghan Ministry of Women's Affairs to improve its capacity for public outreach and implementation of laws to protect Afghan women and girls. PAS at Embassy Kabul now allocates more than 80 percent of its funding to Afghan NGOs, with grants officers working directly with these organizations to build capacity on grant-writing, accounting, monitoring and evaluation, and program development. The other 20 percent goes to international organizations with a majority of Afghan staff.

Questions for the Record Submitted to
Under Secretary of State Patrick Kennedy by
Representative Barbara Lee (#3)
Subcommittee on State, Foreign Operations and Related Programs
House Committee on Appropriations
February 14, 2013

Question:

Given so much of the Embassy security funding is coming from Overseas Contingency Operations accounts, how do you anticipate being impacted by the drawdown of U.S. troops from Afghanistan, and presumably a shrinking OCO funding level?

Answer:

The Department of State and the Department of Defense (DoD) continue to coordinate closely on security for civilians operating at field locations as we approach the end of 2014 deadline for the drawdown of U.S. troops. Our FY2013 and 2014 budgets identify sufficient resources for us to continue our share of this partnership.

The size, scope and locations of our enduring civilian presence have not yet been determined by White House. State is an active participant in this planning, and much consideration is being given to what DoD-related security support could be provided post-2014 by residual troops and what security State will need to provide for itself. However, until post-2014 plans are finalized, it is not possible to estimate what our future year OCO requirements will be.

Questions for the Record Submitted to
Under Secretary Pat Kennedy by
Representative Henry Cuellar
Subcommittee on State and Foreign Operations
Committee on Appropriations
February 14, 2013

Question:

Undersecretary Kennedy, as you are aware, twice in the last week there were grenade detonations outside the U.S. Consulate office in Nuevo Laredo. Can you speak of the protective measure that have been taken in the State Department facilities in Mexico to mitigate the risk posed by drug cartels and how have these attacks impacted the risk classification issued by the Department? Also, do you anticipate these recent attacks will have the effect of putting embassies and consulates located in Mexico on the 'high risk post' list?

Answer:

The Department places the highest priority on the security of our personnel and will continue to take steps to provide for their safety.

The Department shares your concern for how violence between Mexican drug cartels may affect the security of our facilities and safety of our personnel in Mexico. We closely follow developments, continually assess our security posture, and take steps to mitigate threats and vulnerabilities.

Regarding your specific concern for the Consulate General in Nuevo Laredo, the Bureau of Diplomatic Security (DS) has pursued an aggressive program to

bolster the physical security infrastructure to ensure compliance with Overseas Security Policy Board (OSPB) standards to the maximum extent feasible at this facility. Recent physical security upgrades have included new Forced-Entry and Ballistic Resistant (FE/BR) doors, additional safe havens, reinforced walls and windows, additional vehicle traps, and reinforced Control Access Centers. The Regional Security Office has also received additional funding for residential security upgrades to install reinforced doors. A federal police unit from the Mexican government consisting of 50 federal officers is assigned to protect and defend the perimeter of the Consulate. The Bureau of Overseas Building Operations (OBO) will be awarding the contract to begin construction of a New Consulate Compound in 2014.

No single incident drives a post's security posture, or the classification of a post or its inclusion on the High-Threat, High-Risk (HTHR) list. Indeed, many factors are considered before a decision is made to place a post on the HTHR list. The HTHR list is compiled by DS and other Department offices through a collaborative process. This is not a static list and will be reviewed annually, or at the direction of Department leadership. As emergent conditions substantially change, for better or worse at any posts worldwide, HTHR designations will shift and missions will be added to or deleted from this category.

MARCH 13, 2013

CLOSED HEARING ON SYRIA

NO TRANSCRIPT AVAILABLE

WITNESS: AMBASSADOR ROBERT S. FORD, US AMBASSADOR TO SYRIA

Press Release
FOR IMMEDIATE RELEASE
http://kaygranger.house.gov/
March 13, 2013
Contact: Matt Leffingwell (202) 225-5071

GRANGER OPENING STATEMENT: FY 2013 STATE AND FOREIGN OPERATIONS APPROPRIATIONS MARK UP

The Subcommittee on State, Foreign Operations, and Related Programs will come to order.

Good morning.

I would like to welcome members to this important hearing on Syria. Our witness today is Ambassador Robert S. Ford who was appointed as the U.S. Ambassador to Syria in January 2011. Although we no longer have a diplomatic presence in Damascus, Ambassador Ford continues his challenging work back at the State Department. We thank you for being here.

The outcome of the current situation in Syria has great strategic importance to the United States. The ongoing crisis has direct implications for security in the region and therefore our own national security. The conflict has resulted in a severe humanitarian crisis for the Syrian people and their neighbors in surrounding countries. We know that even if Assad were to fall tomorrow, these needs will continue to be significant for a long time.

Beyond humanitarian assistance, I believe the U.S. needs to be very thoughtful and strategic with our assistance, including who we provide it to, what purpose it is intended to serve, and how we ensure it does not fall into the wrong hands. I am very concerned about what we have seen take place in the Middle East and North Africa over the last two years. This Committee must ensure that the U.S. supports an outcome in Syria that promotes our values, as well as stability in the broader region.

I believe we must do everything we can to support our friends in the region. We must be unyielding in supporting our friend and ally Israel, and Jordan needs our help now more than ever. I look forward to hearing what plans the Administration has to help our allies minimize the impact of the crisis in Syria on their security and stability.

We have a limited amount of time today, so after the Ambassador provides his testimony, we will turn to Members' questions. We will only have time for one round due to time constraints today.

Members are reminded that this briefing is classified at the top secret level.

I will now turn to the Ranking Member, Mrs. Lowey, for her opening remarks.

Ranking Member Nita Lowey Statement at Hearing on Syria

March 13, 2013

With so many concerns about who the opposition is, who we are working with, and whether Syria will break into fragments, first and foremost what the Administration's goal is in Syria and how the Congress can help achieve it.

Ambassador Ford, I join Chairwoman Granger in welcoming you this morning. I thank you for your service.

The violent conflict in Syria has resulted in a staggering humanitarian catastrophe:

more than 70,000 lives have been lost,

4 million people are in need of humanitarian assistance, and

an estimated 3 million people displaced, and 1 million seeking refuge in neighboring countries.

Those numbers are staggering and are increasing every day. The logistical and security-related obstacles to distributing aid have left Syrians without access to food, water, electricity, and other basic needs, and now we are hearing disturbing reports of Syrian women and girls being assaulted, trafficked, or sold into marriage.

If the humanitarian situation is not bad enough, we are now seeing signs that indicate a sectarian and ethnic conflict is emerging. This is of great concern to me, and I hope you will address what plan the Administration has to secure Syrian conventional and chemical weapons.

I am also very concerned that as this conflict drags on it has allowed terrorist organizations, such as Hezbollah and Al Qaeda, the ability to recruit new members, develop new alliances, and establish bases of operations against the United States and our allies.

Secretary Kerry recently stated in Rome, "...that the Syrian Opposition Coalition is the legitimate representative of the Syrian people..." With so many concerns about who the people in the opposition are, who we are working with on any given day, and whether Syria will break into fragments, first and foremost we need to hear from you what the Administration's goal is in Syria and how the Congress can help achieve it.

In addition, the incursion in Iraq last week, and the abduction of UN peacekeepers in the Golan Heights, begs the questions:

What are the prospects for a full-fledged regional spill-over of the conflict?

What are the prospects that an enduring conflict leaves areas open for violent extremists to exploit?

And what is the likelihood of power struggles within the opposition leading to future civil warfare along sectarian lines?

I realize there are no simple answers to these questions. So, I look forward to your testimony and counsel on this serious humanitarian and security challenge.

AMBASSADOR ROBERT FORD
CONGRESSIONAL TESTIMONY FOR THE RECORD
HOUSE APPROPRIATIONS COMMITTEE
SUBCOMMITTEE ON STATE AND FOREIGN OPERATIONS
March 13, 2013

Chairwoman Granger, Representative Lowey, and Members of the Subcommittee, thank you for inviting me to present an overview of our response to the crisis in Syria. The human toll of this conflict grows more devastating every day. As of this past week, more than one million people have left their homes in Syria to seek refuge in another country. Over 2.5 million people are internally displaced.

And the Syrians who remain at home face a new level of ruthlessness from the Asad regime, which is raining Scud missiles down on residential neighborhoods, destroying hospitals and schools, and sending its thugs rampaging through the streets to terrorize their fellow citizens.

More than 70,000 Syrians have died since the beginning of the conflict, according to the UN. It is hard to comprehend such carnage, but here is one telling anecdote. We have heard that some Syrian parents who still send their children to school now stitch their child's name on school uniforms. That makes it easier to identify the bodies.

OUR PRIORITIES

The United States continues to support the Syrian people in their stand against this brutal and corrupt regime. As Secretary Kerry said in Rome last month, we are committed to "helping the Syrian people achieve their goal to live in a free, safe, and just society. Their goal is our goal."

We are working to alleviate the human suffering. This includes nearly $385 million in humanitarian assistance for emergency medical care and supplies, blankets, and shelter. We are sending flour to 50 bakeries in Aleppo and sponsoring food and sanitation projects for the desperate families in Atmeh refugee camp. Our aid into opposition-controlled areas is often intentionally discreet to protect those delivering the aid, but it is significant.

We are also helping the opposition to provide basic goods and essential services – including civilian security - to communities in areas liberated from regime control as we help them to prepare for a democratic transition that protects the rights and achieves the legitimate aspirations of the Syrian people.

And we are working with our allies and partners to compel the regime to end its war on the Syrian people through intensifying economic sanctions and diplomatic pressure.

None of this is easy. The Asad regime has harnessed the destructive force of sectarianism to keep itself alive, pitting communities against each other in an attempt to divide and conquer. Extremists are exploiting these fissures to advance their own destructive agendas. And the grinding conflict goes on.

But preserving national unity and laying the foundation for a free Syria that respects the rights of all its citizens is essential if we are to secure a Syria that helps rather than threatens stability in the heart of the Middle East. Collapse and fragmentation of the Syrian state or its takeover by extremists would worsen the risks associated with chemical weapons security, terrorist bases, and new refugee flows inundating neighboring states. Those outcomes would directly threaten our interests.

Therefore, apart from our humanitarian aid, we have provided $54 million in non-lethal assistance to the Syrian opposition to help the Syrian people rid themselves of Bashar al-Asad and achieve their aspirations for a better future. Secretary Kerry recently announced plans to provide another $60 million. In particular, these resources would:

• Solidify the efforts of Syrian moderates who are competing for influence with extremist groups. Although the majority of the Syrian opposition inside and outside the country firmly rejects the ideology of al-Qaida's affiliates, such as the Nusrah Front, opposition groups are increasingly willing to engage in pragmatic alliances with them. We need to provide Syrian communities with an alternative source of support to prevent the influence of al-Qaida's affiliates from expanding.

• Reduce the suffering in Syrian cities and towns by helping national and local opposition leaders provide vital services such as food, water and electricity. Syrian activists and rebels are working hard to unite the opposition, establish local governing structures, and provide assistance to the many Syrians in need. We need to empower these courageous Syrians – both armed and unarmed – so that they can respond quickly to critical needs.

• Prevent the disintegration of the Syrian state by supporting a unified, inclusive, and effective civilian leadership at both national and local levels – and by retaining the civil servants that can keep state institutions functioning as Syrians struggle to recover from this conflict.

INVESTING IN SYRIANS

Let me offer a few specifics.

Our previous non-lethal assistance, totaling approximately $54 million, focused on linking disparate Syrian opposition groups across the country to build a network of ethnically and religiously diverse civilian activists.

We supplied over 4,000 pieces of equipment, including communications gear, to enable activists to coordinate their efforts. We boosted radio signals, extending the reach of broadcast on FM stations, and funded television stations. Then we used those media platforms to address sectarian violence and issue public service messages on chemical weapons exposure.

We also trained and equipped 1,500 local leaders and activists --including women and minorities-- from over 100 Syrian opposition provincial councils to develop their capacity to rebuild shattered local civil administration. At the same time we provided grants to grassroots networks to mobilize citizens, deliver local services, and document abuses and atrocities to

prepare for transitional justice. As a result local committees and councils from Damascus to Deir al-Zour to Idlib are better able to provide for their communities.

All of these efforts build on the efforts of our international partners. We are working closely with our allies in the region and in Europe.

BUILDING A NATIONAL APPARATUS

Since December 2012, the United States has acknowledged the Syrian Opposition Coalition (SOC) as the legitimate representative of the Syrian people. This organization, with diverse representatives inside and outside Syria, aims to implement a credible transition plan and establish a responsible national government in a post-Asad Syria. It is directly competing with extremists, and we need to help it build credibility with the Syrian people.

On February 28, Secretary Kerry announced another $60 million in non-lethal support to strengthen the SOC's capacity to govern at the national and local levels. This new funding will tie the SOC's national efforts to work being done by local groups and councils inside Syria.

The State Department will create a new, small grants initiative that the SOC can use to help local councils meet the needs of their citizens. This will include supporting the work of these new governing institutions and helping them undertake service delivery projects for their communities.

USAID will build on this effort by providing the SOC with two programs designed to have immediate impact. The first will provide short-term assistance for urgent needs, such as fuel, heaters, and nutritional and educational supplies for children. The second will support strategic, longer-term needs on behalf of the SOC, such as repairing schools, local power, and sanitation. USAID will also provide the SOC with technical experts to help it manage essential services and light infrastructure. These experts will help with assessments, project design, and track multi-donor rehabilitation efforts.

We are also looking to improve civilian security through training and some non-lethal equipment. This is critical to preventing a security vacuum in liberated areas that will be exploited by extremists if we do not help stand up civilian police.

CONCLUSION

We continue to believe that political transition is the only solution to the crisis in Syria. Working with other partners, we will strengthen moderate opponents of the Asad regime and help change the balance on the ground to give them leverage in future political negotiations and to change Asad's calculus. The regime of Bashar al-Asad – which is holding to power through brute force backed by Iran and Hizballah – has no credibility to govern. Those responsible for crimes against the Syrian people must be held to account.

As Secretary Kerry said in Rome, "This is a complicated challenge, but the principle that

guides us is simple: No nation should live in fear of its leaders, and all people deserve the freedom and opportunity to live in peace, dignity and justice."

We look forward to working with Congress as we seek to support the needs of the Syrian people in their struggle to create a free, stable, and democratic Syria. Thank you again for the invitation to testify before your committee today. I am happy to take any questions you might have.

Questions for the Record Submitted to
Ambassador Robert Ford by
Chairwoman Kay Granger (#1)
Subcommittee on State, Foreign Operations
And Related Programs
House Appropriations Committee
March 6, 2013

Question:

What is the U.S. doing to ensure that Syria's chemical weapons do not fall into the wrong hands?

Answer:

We are closely following developments in Syria related to proliferation-sensitive materials, in particular chemical weapons. We continue to actively consult with Syria's neighbors, our allies, and partners in the international community, as well as the Syrian opposition, to underscore our strong concern about these weapons and coordinate our response.

Questions for the Record Submitted to
Ambassador Robert Ford by
Chairwoman Kay Granger (#2)
Subcommittee on State, Foreign Operations
And Related Programs
House Appropriations Committee
March 6, 2013

Question:

Will the U.S. act to prevent other weapons from being transferred from Syria to Hezbollah, including advanced missiles and anti-aircraft systems?

Answer:

We are continuing to work diplomatically with Syria's neighbors, our allies, and partners in the international community to prevent the transfer of advanced conventional and other proliferation-sensitive weapons, and we are working, as part of a larger strategy to control dangerous weapons stocks, to achieve a diplomatic solution to the crisis through a negotiated political transition.

Questions for the Record Submitted to
Ambassador Robert Ford by
Chairwoman Kay Granger (#3)
Subcommittee on State, Foreign Operations
And Related Programs
House Appropriations Committee
March 6, 2013

Question:

There are reports that a variety of actors, some with interests counter to the United States, have been providing arms and support to different factions within the Syrian opposition. How can the U.S. counter these efforts and strengthen the opposition groups who are more supportive of our interests?

Answer:

We know much more about the armed opposition than we did six months ago. We are looking at additional measures to strengthen moderate armed groups. The situation on the ground is evolving as new groups appear and others merge. Regardless, we have solid relationships with commanders, who have reached out to minority groups and facilitated United Nations humanitarian convoys.

In particular, the administration is in regular contact with Gen. Idriss. He has told us that he will support a political deal and that the free Syrian army should not have a political role in the future of Syria. He has also publicly stated that he would be willing to meet with officers from the Asad

regime to discuss law and order in post-Asad Syria. These are all positive indicators.

That is why we are working with our partners to channel all assistance to the armed opposition through General Idriss.

Questions for the Record Submitted to
Ambassador Robert Ford by
Chairwoman Kay Granger (#4)
Subcommittee on State, Foreign Operations
And Related Programs
House Appropriations Committee
March 6, 2013

Question:

Does the Administration believe Russia is providing arms shipments to the Assad regime? If so, why have no Russian entities been sanctioned?

Answer:

Russia's continued support to the Asad regime – specifically arms transfers to the Syrian regime, which has used helicopters, fighter jets, and ballistic missiles to attack civilians, military, and otherwise – is prolonging the suffering of the Syrian people. We have repeatedly and consistently, both in public and private, urged Russia to cease arms sales to the Asad regime. Providing the regime with additional weapons inhibits reaching a negotiated political solution to the conflict, contradicts Russia's stated policy of seeking an end to violence, and is not in Russia's long-term interest.

At the same time, we see the bigger picture and recognize that it is in all concerned parties' interest if Russia can use its influence to bring the regime to the negotiating table to find a political solution to this conflict. Despite

grave differences with Russia concerning this conflict, we joined with Russia and other international partners to formulate the Geneva Communiqué of June 30, 2012, and we are now organizing an international conference under UN auspices to implement the Communiqué.

Additionally, Russia remains an important partner in a range of other efforts, including global nuclear nonproliferation efforts, that we have to balance with our interests in Syria.

Questions for the Record Submitted to
Ambassador Robert Ford by
Chairwoman Kay Granger (#5)
Subcommittee on State, Foreign Operations
And Related Programs
House Appropriations Committee
March 6, 2013

Question:

Are there additional ways to increase the economic pressure on the Assad regime? Are there economic tools that can be used to convince those that continue to support and fight for the regime to change course?

Answer:

Since the start of the Syrian uprising in March 2011, President Obama has issued five Executive Orders significantly expanding Treasury's ability to respond to the conflict in Syria. The Departments of State and Treasury, in coordination with the intelligence community and colleagues throughout the U.S. government, as well as with our counterparts in the European Union (EU), the Arab League, Turkey, Japan, Australia, Canada and elsewhere, have used our authorities to isolate the Asad regime and key regime supporters, and to deprive the regime of the resources it needs to fund its continued repression of the Syrian people. To date, close to $80 million of Syrian regime funds in the U.S. have been frozen pursuant to these Executive Orders. The U.S. alone has designated close to 100 individuals

and entities pursuant to these Syria-related Executive Orders, thus publicly identifying them as perpetuating the brutal conflict in Syria, blocking their participation in the U.S. financial system and disrupting their access to financial services beyond the United States.

The U.S. continues to designate individuals and institutions under our current sanctions regime as the information merits. We have also called on all members of the international community to take similar action by introducing and enforcing sanctions against the Asad regime.

Additionally, the U.S. and the Friends of the Syrian People International Working Group on Sanctions encouraged member countries to refrain from purchasing Syrian phosphates, a considerable source of revenue for the Asad regime.

Questions for the Record Submitted to
Ambassador Robert Ford by
Chairwoman Kay Granger (#6)
Subcommittee on State, Foreign Operations
And Related Programs
House Appropriations Committee
March 6, 2013

Question:

Is the Administration continuing to press the Iraqi Government to stop aircraft bound for Syria?

Answer:

During my March 24 visit to Iraq, I raised this issue with Prime Minister Maliki and urged that Iraq either deny overflight requests for Iranian aircraft going to Syria, or require such flights to land in Iraq for credible inspection. Since my visit, Iraq increased the number of inspections bound for Syria. We are encouraged by some steps the Iraqis have taken, and we have seen some disruption in flights over the past 60 days. That said, this remains an issue of urgent concern and regular diplomatic engagement. We will continue to press Iraqi officials at the highest levels to conduct credible inspections and ensure that Iran does not use Iraq as a transit route for cargo prohibited by UN Security Council Resolutions.

Questions for the Record Submitted to
Ambassador Robert Ford by
Chairwoman Kay Granger (#7)
Subcommittee on State, Foreign Operations
And Related Programs
House Appropriations Committee
March 6, 2013

Question:

What confidence do you have that the inspections are credible and are not coordinated with the Iranians?

Answer:

We continue to press Iraqi officials at the highest levels to conduct credible inspections and ensure that Iran does not use Iraq as a transit route for cargo prohibited by UN Security Council Resolutions.

Questions for the Record Submitted to
Ambassador Robert Ford by
Chairwoman Kay Granger (#8)
Subcommittee on State, Foreign Operations
And Related Programs
House Appropriations Committee
March 6, 2013

Question:

Will the Department halt U.S. assistance to Iraq if the there is evidence that the inspections are not credible or they have stopped?

Answer:

No, we do not support linking U.S. assistance to Iraq to the issue of Iranian overflights. Our overall objective is a strong, independent Iraq that is a force for peace and security in the region. Our assistance to Iraq is directed toward that end - particularly our robust security assistance program, through which we are helping Iraq build its capability to defend its airspace.

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