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**EMBASSIES GRAPPLE  
TO GUIDE FOREIGN AID**

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A Report to Members

OF THE

COMMITTEE ON FOREIGN RELATIONS  
UNITED STATES SENATE

Richard G. Lugar, Ranking Minority Member

ONE HUNDRED TENTH CONGRESS

FIRST SESSION

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## LETTER OF TRANSMITTAL

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NOVEMBER 16, 2007.

DEAR COLLEAGUES: Americans have long supported their government's work to save lives and alleviate human misery around the world. Since 9/11 and the harboring of terrorists in Afghanistan, we have acquired new insights into how failing states can provide fertile ground for global terrorism. The Bush administration has taken on the challenge by making new commitments to international economic development. It has increased foreign aid spending and created new funding mechanisms. It has boosted America's focus on crises, such as the HIV-AIDS epidemic, that can set developing societies back decades. It is preparing a response capability to rush civilians and reconstruction expertise to countries devastated by conflict. And it has sought to promote good government, sound economic policies, and strong social programs focused on human development in poor nations around the world.

Secretary Rice's instinct to seek greater coordination and provide clarity in the new firmament of foreign assistance is on the mark. We need to meld new activities in a constructive way with our traditional approaches. We need to prioritize our goals and design our strategies in a way that is transparent to policymakers, legislators and recipients alike. We need to be able to measure, analyze and assess outcomes so that we can tell when we are making a difference.

The policy community naturally focuses on developments and debates here in Washington, D.C. But an equally important focus is the field where foreign aid programs are actually carried out. Are our embassies up to the task of managing new programs and increased funding? Are we striking an appropriate balance between the need for strategic direction from headquarters and operational flexibility in the field? Are we addressing the unique challenges presented by each recipient country as we and they search for common solutions to poverty, political instability, and violent extremism?

To inform our views, I recently sent Senate Foreign Relations Committee minority staff to 24 countries in Latin America, Africa, Eastern Europe, Asia and the Middle East to examine how increased funding and new programs are being implemented in the field. I asked our staff to pay particular attention to how Secretary Rice's new coordination process run by a senior official dual-hatted at State and USAID is mirrored in the field.

This report contains findings and recommendations that form the basis for continuing committee oversight. I look forward to working with committee members, executive branch officials, and experts in the development field as we collectively work to help design and support a foreign assistance effort that reflects our humanitarian instincts and furthers our interests around the world.

RICHARD G. LUGAR,  
*Ranking Member, Committee on Foreign Relations*

# EMBASSIES GRAPPLE TO GUIDE FOREIGN AID

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## OVERVIEW

Since September 11, 2001, the United States has created a number of new mechanisms for the delivery of foreign assistance. For example, the Middle East Partnership Initiative (MEPI) was created in 2002, the President's Emergency Plan for AIDS Relief (PEPFAR) was announced in January 2003, and the Millennium Challenge Corporation (MCC) was established in January 2004. In June, 2005, the President's Malaria Initiative (PMI) was launched. In January 2006, the State Department initiated a new foreign assistance decision-making process and created the position of Director of Foreign Assistance (DFA), nominating the same person to serve concurrently as USAID Administrator. The process was designed to provide strategic focus and priorities for foreign assistance and was subsequently called the "F process," named after the new foreign assistance function headed by the DFA. The purpose of this study is to see how the proliferation of programs and the "F process" is affecting operations overseas and to gather new perspectives from the field.

## FINDINGS

(1) From the field, it is clear that we have failed as a government and as a community of international development supporters to agree on either the importance or the content of a foreign aid strategy. Field-headquarters disconnects, NGO criticisms and complaints, and sporadic and narrow congressional attention to foreign aid illustrate this dearth of common purpose.

(2) Overall agreement between headquarters and the field on foreign assistance is at low ebb and communications have been complicated rather than improved by the State Department's efforts to provide strategic direction. From the field, policymakers in both the executive and legislative branches can appear demanding, deaf and sometimes schizophrenic. New enthusiasms from democracy promotion to HIV/AIDS prevention erupt regularly even though, from the field perspective, they have long been a priority. Headquarters talk of "listening to the field expert," ends in greater central control of ever more tactical decisions. Requests for information are reversed, reordered, continuously revised and, in the end, information provided by the field can appear unread and overlooked as decisions contrary to field advice go unexplained. Congressional cuts to executive branch requests for foreign aid funding reinforce the field view that Washington provides too few resources to do too many jobs.

(3) Field complaints about the “F process” at State focus on the lack of transparency, the weeks of extra paperwork, the differing priorities between post and headquarters, as well as inconsistent demands, but the underlying, only sometimes unspoken, fight is about money. The initial implementation of the “F process,” which was done hurriedly and could have been better thought through, reinforced the perception that it was a State Department grab for expenditures from foreign assistance coffers at the expense of USAID and State geographical bureaus running individual programs.

(4) Despite what the field sees as uneven leadership and communications from Washington, embassies believe they are coping well with the management difficulties caused by the proliferation of new foreign assistance programs. For the most part, we agree. Embassy coordination of foreign aid succeeds as long as all actors work as team players under the leadership of a strong and well-informed ambassador. In every embassy where ambassadors were present, they were judged by staff reporters to possess a good grasp of the foreign assistance programs in country. But in five of the 24 embassies visited, staff reported that a good mechanism for coordination was lacking.

(5) New programs that bring additional funding to the host country are welcomed by ambassadors despite the management challenges they present. The MCC and PEPFAR have brought significant new funding into the field. Less welcome is the decline of traditional programs as new programs open. Staff found that as MCC programs in Mongolia and Honduras got underway, USAID core programs declined. In Mozambique, both PEPFAR and MCC programs promise new money while USAID traditional programs are closing down. In Zambia, PEPFAR has taken over USAID’s traditional HIV/AIDS portfolio and USAID is implementing a significant proportion of PEPFAR programs.

(6) USAID may be viewed as the neglected stepchild in D.C. but in the field it is clear that USAID plays either the designated hitter or the indispensable utility infielder for almost all foreign assistance launched from post. In addition to running its core programs, USAID staff provides advice, contacts, and implementation support for other programs. For example, in Ghana, the MCC is building on a USAID project as one of the major components of its compact. USAID implements all MCC threshold programs and was doing so in six of the countries visited. In Ethiopia, Tanzania, Rwanda, South Africa, Mozambique and Zambia, USAID is either the main or supporting implementer of PEPFAR program funds. In many countries, it is a USAID officer who acts as the ambassador’s right-hand foreign aid adviser. In Georgia, the USAID mission director steps in as acting Deputy Chief of Mission when the ambassador is away. And it is USAID that ambassadors turn to when “feeding the beast,” i.e. writing and submitting the many reports on in-country foreign assistance required by headquarters and the Congress. While such work has increased in the past five years, staff found that in 13 embassies visited, the number of USAID staff has decreased. USAID staff had increased in seven embassies, al-

though not to the level country teams considered adequate to address increased foreign aid demands.

(7) Agency rivalry for recognition has diminished public understanding that programs are funded by the United States. Posted outside each assistance project are now numerous logos from sponsors who want to claim credit for the activity and reinforce that the funding comes from the United States. These are understandable goals but the best known of these “brands”—the USAID “handshake” logo—now competes with a plethora of others from the Centers for Disease Control, Health and Human Services, the MCC, the Office of the Global AIDS Coordinator, as well as some of the contractors and NGOs that work as implementing partners. Several are difficult to read and sometimes they all appear next to one another on the same wall or on the same letterhead. It makes for confusion when one clear and simple message would suffice to let recipients know that the program is sponsored by the American people.

(8) Some new programs such as the Middle East Partnership Initiative (MEPI) run by the State Department and the foreign assistance programs run by the Department of Defense and by the non-foreign affairs agencies are in need of strong guidance from the embassies if they are to be coordinated with other programs the U.S. Government is supporting and are to be consistent with U.S. foreign policy priorities.

(9) Throughout the countries visited, hundreds of Americans working for non-governmental organizations spend years of their lives working to save lives and promote development. Many of their organizations receive grants or contracts from the U.S. Government, sometimes from several different spigots. Those interviewed expressed strong though often contradictory views about how to run and how to prioritize foreign assistance. They are dedicated to their expertise, whether it is water, health, housing, education, effective governance, refugees, women’s advancement, human trafficking, religious freedom or democracy promotion. When their funding is threatened for whatever reason, they see their investments made in local people, processes, and programs foundering. Inevitably, they protest. Sometimes, their voices carry all the way to Washington, D.C., to the ears of sympathetic Members of Congress where they end up as mandated earmarks. Such earmarks often mean that other programs will not receive funding that the administration or post believes are necessary. No matter how intent the executive branch is on developing a worldwide strategic planning capability and mission focus in recipient countries, this phenomenon is part of the democratic process and will continue to create rigidities and hurdles, complicating the endeavor.

#### RECOMMENDATIONS

(1) *The President* should design a national foreign assistance strategy that explains both the national security requirement and the humanitarian imperative that drive our government’s investments in foreign aid. Such a strategy should be designed to put to rest lingering and out-of-date distrust between security advocates and those who focus on humanitarian concerns.

(2) *The President* should task the Secretary of State to work closely with the Administrator of USAID to implement the President's foreign assistance strategy, giving the Secretary explicit authority to ensure that all foreign aid to individual countries and regions, including those from the State Department, USAID, the MCC, PEPFAR, the Department of Defense, and other U.S. Government agencies, are in the foreign policy interest of the United States and conform to the strategic goals determined by the President. The goal is not to micromanage budgets of individual programs and other agencies but to provide leadership and coordination and have the authority to weigh in with adjustments when necessary.

(3) *The Secretary of State*, working closely with the Administrator of USAID, should work within the executive branch and with the legislative branch to garner the foreign assistance funds necessary to carry out the President's strategy. Efforts to achieve a sound and balanced foreign assistance budget that includes all foreign aid spigots should equal the Secretary's commitment to securing a strong State Department budget.

(4) *The Secretary of State* should provide strategic direction, transparency, and overall accountability to foreign assistance. Her efforts to do so through the "F process" were long overdue but flawed in implementation. The process should be redesigned to garner understanding and support from within and outside government. Specifically:

a. The Director of Foreign Assistance (DFA) should effectively break funding decisions into strategic, tactical and operational components and find ways to bring appropriate actors into decisions, as well as make clear who the appropriate decision maker is at various stages.

b. The DFA should be made a confirmable position as a second Deputy Secretary of State commensurate with the importance economic development has in national security.

c. The DFA should referee funding disputes that take place at the strategic level. It is important to assert the Secretary's role in determining funding priorities and making trade-offs but it is equally important for there to be flexibility in the field and communications and shared decision-making among all actors. Otherwise, implementation will be flawed and the most sensibly designed strategy will, in the end, fail.

d. The DFA must not attempt to become another USAID nor should it become another layer of bureaucracy that slows rather than speeds decision-making. As one interviewee put it, DFA should be "management light and transparency heavy." The DFA should collect and analyze data in a way that gives policymakers and others in the development community information on where U.S. taxpayer dollars are being spent overseas and to what ends. The DFA should prepare with USAID a unified budget for State and USAID expenditures after extensive consultation with interested parties including country ambassadors.

e. The DFA's responsibilities should be expanded to include oversight of all government agencies' foreign aid programs so

that inconsistencies or gaps can be brought to the attention of the Secretary of State and, if necessary, the President. The Department of Defense (DOD) and the domestic agencies should be involved in “F process” deliberations of country-level goals and funding. Disagreements that cannot be resolved by the Secretary of State should be taken to the President.

f. The Secretary of State would be better served by the replication of the office of the U.S. Assistance Coordinator for Europe and Eurasia (EUR/ACE) for each regional bureau, perhaps in the form of “deputy assistant secretary for programs.” DFA’s macro-decisions as to regional and thematic priorities can, thus, flow down to assistance coordination offices within the regional bureaus, where country-specific expertise is vastly superior and decisions would be better informed. The regional coordinators at State should partner with Assistant Administrators at USAID to ensure the most effective use of foreign assistance funds in the region.

(5) *USAID* should be recognized for the indispensable role it plays in the effectiveness of U.S. development policy. The agency should hone its development expertise and work to make its operations as flexible and practical as possible. It should be strengthened and provided resources to achieve the ultimate goal of creating a streamlined agency that can keep and attract the most experienced, technically proficient, and worldwide savvy development experts in the world. Specifically:

a. The position of Administrator of USAID should be restored to its former status as a position separate and distinct from the DFA. The jobs are substantively different, with the DFA providing strategic direction to all foreign assistance and the Administrator responsible for the USAID budget and its programs and personnel. Each job is highly demanding and they cannot be filled by one person.

b. Just as the uniformed military’s judgments on capacity and feasibility bring them to the tables where strategic decisions are made, USAID must be part of the high-level decision-making on U.S. development directions and policy. The Administrator should continue, as previously, to report to and serve under the foreign policy guidance of the Secretary of State but, as the President’s top advisor on the operational aspects of economic development, the Administrator should have an independent presence on the President’s highest level inter-agency councils on foreign aid issues.

c. USAID Assistant Administrators bring unique regional, country, and functional expertise to the decision-making. They should be an integral part of the planning, execution and oversight of all foreign assistance in the region.

d. Career paths that include ambassadorships should be created for USAID professional staff and USAID personnel should be considered for more ambassadorships. This is particularly appropriate in countries where the major U.S. mission is economic development.

e. The operating budget of the agency and its staffing levels should more accurately reflect the high priority that the Presi-

dent places on international economic development in his overall national security strategy. Cuts to operating budgets and reductions in staff undermine the efficiency of almost all foreign assistance programs run from embassies.

(6) *Ambassadors* are the President's representatives overseas. They should take personal responsibility in their countries of assignment for the implementation of the President's foreign aid strategy, making certain that the assistance is balanced and spent effectively, in coordination with the host country and with other donors. Internal embassy coordinating mechanisms, whether one point person, working groups, or direct front office supervision, should be set up to share information, seize opportunities, and to rein in those who intentionally or inadvertently skirt embassy oversight.

a. Training for ambassadors and prospective DCMs, particularly for those with no inter-agency government experience, should include the full spectrum of foreign assistance functions undertaken by the U.S. Government and the ambassador's role in overseeing them.

b. Training for all Foreign Service Officers, including ambassadors and DCMs, should include course material that prepares them for effective interaction with the military. A variety of judgments—from the level of security assistance, the most effective counterterrorism cooperation, the role of military psychological operations, and communications and cooperation with combatant commands—are dependent upon experience or the training one has received prior to assignment at post.

(7) *The executive branch should request and the legislative branch should fund security assistance* in the foreign affairs budget, as has traditionally been the case, with some security assistance continuing to be implemented by the Department of Defense. Foreign assistance functions and authorities should not be migrating to the Department of Defense due to inadequate executive branch requests for funding in the proper budget account. The Secretary of State should streamline security assistance decision-making to make certain that there is ready flexibility and means to address emerging threats and unexpected opportunities.

(8) *Congress* has an important role to play in making certain that foreign aid is well spent. It is a Congressional prerogative and, indeed, responsibility to provide robust oversight, policy guidance, and a sense of the American people's collective judgment on important foreign assistance decisions. The Congress should work to bolster its own positive impact. Specifically:

a. Ambassadorial and other nominations should be dispensed with quickly, either through confirmation or timely rejection when deemed appropriate. The holds of individual Senators should not prevail indefinitely; votes should be taken after a period sufficient for any engaged Senator to inform his or her vote. Many formerly quiet embassies have jumped to the forefront of U.S. interests and must be led appropriately. The need was clear in Mozambique where there has not been an ambassador for nearly 14 months. It took the executive branch seven of those months to name a replacement, and the nomination

has languished in Congress since January of 2007. At the time of the staff visit, the DCM had just arrived, the MCC and PMI were just ramping up, and PÉPFAR funding was increasing substantially. Keeping track of all these moving and evolving parts required ambassadorial leadership.

b. The Congress should fund the President's foreign aid budget, at a minimum, at the overall level requested. During this administration's period in office, the Congress has denied some \$7.6 billion that the President requested in his regular foreign aid budget. Too little money to do too many jobs, all coming at the last minute in an omnibus appropriation, creates havoc with field planning, coordination, and ultimately undermines the entire foreign aid effort. Equally damaging, insufficient funding for foreign assistance in the civilian agency budgets reinforces a migration of foreign aid authorities and functions to the Department of Defense.

c. Congress, in cooperation with the executive branch, should undertake an overhaul of the Foreign Assistance Act, which has not been rewritten since its inception in 1961, to reflect the new structure of the foreign aid apparatus and to give cohesion to foreign assistance strategy.

d. Too often, Members of Congress narrow their foreign aid focus to favorite or least-favorite countries, specific NGOs or programs, and other unique enthusiasms that end in earmarks or reporting requirements in appropriations bills. Dialogue between the two branches in hearings, Member and staff briefings, and oversight travel—in essence, steady, transparent and firm oversight—are much preferable to the unanticipated rigidities of earmarks and the massive reports that nail embassy staff to their desks when they should be out overseeing projects and interacting with the people we are paying them to assist. On the other side, the executive branch must provide detailed justifications for its requests and a sound strategic rationale for its priorities in order to stave off congressional directives.

e. Congress has a critical role to play in balancing broader executive branch decisions. For example, this year, the administration requested funding for the Global Fund to Fight HIV-AIDS at approximately half the level Congress appropriated last year. Such funding is a significant and strongly supported priority in both houses of Congress, something the administration should recognize and accommodate in its own budget requests.

f. Authorizing committees should consider and pass, and congressional leadership should find floor time for, a foreign aid authorization bill as a routine matter at least every two years. Committee and floor deliberations and debate on foreign assistance would give Members the opportunity to offer amendments, set broad legislative priorities and develop better understanding of strategic goals and individual programs.

g. Members of Congress should agree on reprogramming levels below which decisions can be made at the embassy level without requiring legislative branch notifications. If this were

undertaken as a three-year pilot program, it could be closely monitored to determine whether it should be made permanent.

## INTRODUCTION

### PURPOSE OF STUDY

The study is intended to gather perspectives on foreign aid from government experts in the field and to examine how embassies are organizing and responding to recent developments in foreign assistance programs and their management. Efforts were also made to interview non-government organization (NGO) experts who design and carry out projects in the countries visited. The purpose is to provide insights to SFRC Members into how new funding, new programs, and a new strategic approach in Washington is affecting foreign assistance implementation in the field.

It should be noted straightaway that resource and time constraints limited minority staff visits to only 24 countries, whereas U.S. foreign assistance is provided to some 140 countries around the world.<sup>1</sup> Travel took place over a period of four months. Pre-travel briefings and interviews in Washington provided information on overall purpose and management of individual programs and processes. The Congressional Research Service supplied excellent background papers and individual country aid tables that gave context to the information gathered.

Findings and recommendations are offered as a best effort to draw commonalities and themes from the hundreds of interviews conducted and to suggest ways in which obstacles that are being encountered in the field could be overcome.

This work follows and builds on a related Committee staff effort published under the title “Embassies as Command Posts in the Anti-Terror Campaign” in December 2006.

### THE DILEMMA

The dilemma inherent in formulating foreign assistance policy becomes obvious when spending any time in developing countries. The need seems infinite and the resources to address them are finite.

American generosity and hope for a better world as expressed through both public and private giving has been growing. The Bush administration has not only increased the number of programs but it has also increased overall funding for development. Its requests for significant boosts have not been fully embraced by the Congress. Over President Bush’s term in office, the Congress has denied \$7.6 billion that he requested in non-supplemental foreign assistance. Even so, excluding emergency war supplementals, the foreign aid budget grew from \$14.9 billion in 2001 to a record executive branch request this year of some \$24.5 billion.<sup>2</sup> American private giving to international causes has also been rising. Inter-

<sup>1</sup>Countries visited were Botswana, Ethiopia, Ghana, Liberia, Mozambique, Tanzania, Rwanda, South Africa, Zambia, Bangladesh, Indonesia, Mongolia, the Philippines, Armenia, Georgia, Kazakhstan, Ukraine, Bolivia, Honduras, Peru, Nicaragua, Jordan, Lebanon, and Morocco.

<sup>2</sup>Source: Congressional Research Service.

national giving from private sources increased 147 percent from \$4.6 billion ten years ago to \$11 billion in 2006.<sup>3</sup>

Of course, assistance is not the only way America touches the developing world. Generosity of purse, unfortunately, can abide side-by-side with policy incongruities. For example, we are spending the largest amount of money ever to address health needs in developing countries while we recruit doctors and nurses from those same countries to work in U.S. hospitals and clinics. We provide food aid that undercuts the livelihood of poor farmers because we want to send our farm surpluses on U.S. ships instead of buying food locally. We subsidize our own farmers while trying to convince governments in other countries to let the market system work, and those same subsidies reduce the income of farmers in poor countries who would otherwise be able to export to America. We send some \$143 million in assistance to Peru while the U.S. Congress stalls ratification of a free trade agreement that would give a bigger boost to the economy and do more to create jobs.

The news from abroad, however, is not always bad. UNICEF reports that for the first time since record keeping began in 1960, the number of deaths of young children around the world has fallen below 10 million a year, a number much too large but moving in the right direction. In Liberia, a former economist with the UN Development Program holds promise to be a successful President after free and fair elections in this war torn country. Likewise, Sierra Leone and Mozambique seem to have turned the corner toward peace. And a recent poll in Africa shows a plurality saying they are better off today than they were five years ago and they are optimistic about the future and that of their children.<sup>4</sup>

Nonetheless, it is clear that the number of taxpayer dollars that can go to international development, as needed as they may be, is finite. The United States has its own economic challenges. Developing strapped urban neighborhoods, rebuilding in the post-Katrina south, and strengthening health care delivery to both the rural and urban poor are just a few among the many priorities we have for our own citizens. So how does a country decide how to spend finite amounts of money in a world with infinite needs?

#### A STRATEGIC APPROACH

The United States is motivated to provide foreign assistance by both serious security challenges and a deep humanitarian commitment to alleviate suffering, save lives, and fight endemic poverty. Since September 11, 2001, these two instincts—self-defense and humanitarian—are seen as more mutually reinforcing than in the past. Good governance, sustainable and equitable economies, and just societies are worldwide objectives that all Americans can support.

Protecting American citizens from harm in the face of an aggressive worldwide movement intent on violent action against Westerners and their interests is a strategic priority for the U.S. Government. The June 2007 National Intelligence Estimate judged that the United States “will face a persistent and evolving terrorist

<sup>3</sup>Center on Philanthropy, Indiana University, Bloomington, Indiana.

<sup>4</sup>“Poll Shows Africans Wary, But Hopeful About Future,” Lydia Polgreen and Marjorie Connelly, *New York Times*, July 25, 2007, p. A6.

threat over the next three years.”<sup>5</sup> Al Qaeda is seen as enhancing its capability through greater cooperation with regional terrorist groups and continuing to try to acquire and employ chemical, biological, radiological or nuclear material for attacks. Beyond Al Qaeda, the report assesses that “globalization trends and recent technological advances will continue to enable even small numbers of alienated people to find and connect with one another, justify and intensify the anger, and mobilize resources to attack.”

The danger is being addressed both short-term and long-term. The immediate effort is a worldwide attempt to detect and expose individual terrorists and their cells. Akin to finding hundreds of needles in millions of haystacks, it requires government-to-government cooperation, local intelligence, and effective law enforcement. Governments with extremist elements in their populations are especially important in this effort. Post-conflict countries, such as Iraq and Afghanistan, that are slow to stabilize and where reconstruction falters are clear magnets for terrorists. Poorly patrolled border areas, remote regions in otherwise well-governed countries, or failed states such as Somalia can be sought out by terrorists looking for freedom to gather, plan, and train without detection. To be successful, the United States needs governments to be convinced that they should help undercut and expose the designs of terrorists who may be transiting or residing in their countries.

In the long term, a Middle East, where neighbors respect each other’s search for the right balance between modernity and tradition and favor tolerance over violence, will dampen the flames that fuel terrorism. Over time, in the Middle East but elsewhere too, economic development is seen as an antidote to violent extremism. The executive branch has placed development along with defense and diplomacy as one of the three pillars of U.S. national security strategy:

Development reinforces diplomacy and defense, reducing long-term threats to our national security by helping to build stable, prosperous, and peaceful societies. Improving the way we use foreign assistance will make it more effective in strengthening responsible governments, responding to suffering, and improving people’s lives.<sup>6</sup>

Standing on the side of a better future for all the world’s people is increasingly viewed as an important aspect of our long-term counterterrorism policy. Societies that are able to raise their children to be healthy and broadly educated are less likely to foster extremism. Young adults who see a wide array of open opportunities for advancement and fulfillment are less likely to be recruited as foot soldiers by terrorists. And governments that are just, democratic, and inclusive are less likely to see their citizens abide the pursuit of political or religious agendas through violence.

#### DEVELOPMENTS IN U.S. EMBASSIES

Since September 11, 2001, the United States has created a number of new mechanisms for the delivery of foreign assistance. The

<sup>5</sup>National Intelligence Estimate, National Intelligence Council, released in July 2007.

<sup>6</sup>The National Security Strategy of the United States, Fact Sheet, Office of the Press Secretary, The White House, March 16, 2006.

multiplicity of new programs and new funding has complicated but not overwhelmed embassy management. Rather, it is the headquarters effort to organize itself and provide strategic focus to both the new and old programs that has thrown embassy operations into fits of frustration and bureaucratic agony.

#### THE “F PROCESS”

With the new focus on development as a strategic goal, it made sense for the executive branch to better come to grips with the quality and quantity of U.S. foreign assistance. An ability to set strategic goals and to shift resources to first priority regions, countries, and purposes is dependent on a clear knowledge of current expenditures. What are we spending now and to what purpose? It also depends on an ability to understand how successful we are in pursuing those goals. What works best and how can that be measured?

The Secretary of State set out to reform the foreign aid process in order to answer what seemed to be fairly simple questions as part of an effort to make the most strategic use of limited resources. In January 2006, the State Department announced the new foreign assistance reform plan, appointing Randall Tobias to serve as the Director of Foreign Assistance (DFA) with Deputy Secretary rank. He was nominated to serve concurrently as USAID Administrator and was assigned authority over all Department of State and USAID foreign assistance programs, as well as responsibility to provide guidance and coordination for all assistance delivered by other U.S. Government agencies. The office that Mr. Tobias headed was called the “F bureau” and the process that he designed is called the “F process.”

The DFA designed a Strategic Framework for Foreign Assistance within which foreign aid was to be planned and organized.<sup>7</sup> It designated five strategic objectives: peace and security; governing justly and democratically; investing in people; economic growth; and humanitarian assistance. Countries were grouped according to the development challenges they face and the reasons why U.S. assistance could make a difference. The five categories are:

1. Rebuilding—countries emerging from internal or external conflict;
2. Developing—poor and lower-middle income countries that are not meeting key performance criteria;
3. Transforming—poor and lower-middle income countries that are meeting important performance criteria and seem poised for strong economic progress;
4. Sustaining—upper middle or above income countries where U.S. assistance supports progress in partner countries important to peace; and
5. Reforming—countries where there are serious governance issues that have led to legislative restrictions or prohibitions against assistance.

Institutional resistance to any reform touching on programs and money that some offices and bureaus had come to see as their own

<sup>7</sup>See Appendix II.

was to be expected. But, as the process was accelerated to meet budget deadlines, there never developed a sense of common purpose. Pitched battles ensued on just about everything. The rushed and muddled start, including the uncertainty due to congressional appropriations delays and the need for a continuing resolution, and the abrupt departure in April 2007 of the first Director, has added to the impression that the effort may be doomed, no matter how much sense it may make from a strategic point of view.

In already strapped embassies, demands from headquarters and the time required to respond were met with disbelief. As professionals, all staff appeared to make best efforts to be responsive and many agreed that a more organized and strategic approach to foreign assistance is necessary. But that recognition did not keep the prospect of mutiny entirely from their minds. The complaints are numerous:

- DFA appeared to be staffed by a hodge-podge of detailees and temporary staff rotating in and out at a dizzying pace. The result was muddled directions, constantly changing requests and unclear or constantly shifting points of contact. When the embassy staff from Honduras, for example, called the “F” Bureau to query cuts in two categories, the official in Washington was mystified. She said that according to her notes both areas were to have received plus-ups.
- There was little opportunity for field input into decision-making. The field is theoretically represented in headquarters discussions by their respective State and USAID bureaus, but this is clearly seen as inadequate. In the case of Bangladesh, the USAID staff happened to be in Washington at the time of the DFA country meeting and was invited to attend, a development viewed very positively in the embassy in Dacca.
- With the embassy under-represented, host country input is also slighted. The field’s efforts to respond to priorities set by the countries themselves and their citizens are undermined when goals for development seem to be determined from afar. It is the wrong message to be sending when country buy-in is essential for progress.
- What was once only a complicated matter of shifting resources toward an unexpected opportunity or away from a suddenly less promising endeavor became virtually impossible, as all requests needed the DFA’s personal approval which was months in coming if it ever came at all. For example, in Armenia, an embassy-initiated shift in funding in favor of democracy promotion prior to the “F process” was quickly approved by headquarters. Today, the embassy official involved said he would not have any idea how to get such a request approved by “F,” nor even whom to contact there.
- The Operational Plans (OP) required by DFA come in for especially heavy criticism. OPs are detailed descriptions of every assistance project, including purpose, vendor and budget. They differ from Mission Strategic Plans (MSPs) that set goals and describe embassy plans to reach such goals over several years. The new OPs are disparaged for covering both too much and too little. Some specifics:

—The OP's required too much detail at too great a length. Reports ended up having to be huge— for example, some 233 pages from Ghana, 287 pages from Liberia, and 450 pages from Jordan.

—The OP's do not include funding provided by DOD, MCC, PEPFAR or other U.S. Government agencies, thereby creating an incomplete picture of what was going on in-country. For example, in Liberia the OP did not include a Department of Labor child labor program that sought to keep children in school. Neither did it include a rice importation program run by the Department of Agriculture. In Zambia, the OP covered only 17 percent of the foreign assistance coming into the country, as PEPFAR had brought in resources that surpassed other programs by multiple amounts.

—The OP focuses on a one-year outlook as preparation for the budget. As a result, its preparation sapped time and energy from the embassy's long-term planning, an essential component of coordination with other bilateral and multilateral donors.

—The deadlines did not permit, nor did DFA seem interested in, embassy consultation with trusted NGOs and other private non-profit partners who are implementing many foreign assistance programs.

- In a number of embassies, both government officials and NGOs warned against the DFA's reliance on what they saw as the false clarity of numbers. Such a focus can be self-deceiving, they argue, when economic development spurts and lags in an intricately complex web of related but independently moving parts. New indicators and tracking mechanisms, databanks, and scorecards where countries can compare their performance with each other are all useful. But incomplete or obsolete data can skew the numbers. Also, some measurements give a false sense of certitude. While the number of children vaccinated or graduating from eighth grade is illuminating, the number of those trained to teach or vaccinate does not measure the quality of the training, whether the most qualified people are chosen, or whether good medical personnel or teachers are retained. In Armenia, for example, an NGO was asked to provide the number of female first-year journalism students in a program designed for experienced journalists. "Zero" was the correct answer provided, an inaccurate reflection of the program's success in the eyes of the NGO. Such critics urged a measurement of outcomes rather than outputs.
- Glitches in the software and operating systems added to the onerous task of collecting, reorganizing, and reporting information. In Honduras, data was deleted due to program fault after it was entered and some data could not be easily saved. Re-entering data multiple times became a routine part of the "F process" experience. In Jordan, the systems were so overloaded that data could be entered only between midnight and 6 a.m.
- DFA-assigned country categories are questioned. In both Nicaragua and Honduras, embassy staff questioned whether two countries with such systemic poverty and underperforming

economies should be classified as “transforming.” Embassy officials questioned whether it was an unintended consequence of their MCC status: because they had been designated MCC countries, they were automatically kicked up a level. If consulted, embassy officials would have recommended the “developing” category for both countries.

- From the field, DFA’s decision-making seemed arbitrary and was never explained. The embassy in Tanzania, for example, requested more money for peace and security and instead received \$4 million for a water project, even though Tanzania had just negotiated a huge MCC compact with water as a priority. The budget for a new counterterrorism center, a top priority for the embassy, was cut. The mission also received an extra \$9 million for education at the last minute after being told its education funding was being cut. It had just passed up hiring an excellent candidate to work in the education sector and then had to scramble to hire a new person and design good programs with this last minute plus-up.
- In sum, the “F process” was seen as painfully time consuming and generally viewed as adding no value to field operations, planning, or coordination.

#### MULTIPLE PROGRAMS

President Bush has created a number of new programs with development, security and humanitarian missions. He has increased the amount of assistance managed by the State Department, increasing it from \$2.6 billion in FY2000 to \$5.3 billion in FY2006.<sup>8</sup> He has requested and received authority and funding for new Defense Department foreign assistance programs. Previously created programs have received new money and non foreign affairs agencies have increased assistance to foreign countries from their own budgets.

Only about half of U.S. bilateral foreign assistance is now distributed through USAID. As of 2006, roughly 20 percent of bilateral aid was given through the Department of Defense, 12 percent through the Department of State, 8 percent through Health and Human Services and the rest through the Department of Agriculture, Peace Corps, Department of Labor, Department of Treasury and the Millennium Challenge Corporation.<sup>9</sup> Of the funds disbursed through USAID and the Department of State, some are funneled through specific programs such as the President’s Emergency Plan for AIDS Relief, the President’s Malaria Initiative and the Middle East Partnership Initiative.

One of the outcomes of all these efforts has been the arrival of new actors, new programs, and sometimes new missions being undertaken from posts all over the world.

#### MCC

The Millennium Challenge Corporation (MCC) mission is to reduce global poverty by promoting sustainable economic growth. Es-

<sup>8</sup>GAO report, *Department of State: Human Capital Strategy Does Not Recognize Foreign Assistance Responsibilities*, September 2007.

<sup>9</sup>See Appendix III.

tablished in January 2004, the MCC carefully selects recipients by evaluating their performance according to 16 objective indicators. While poor, recipient countries are judged to be well governed and on the right track toward harnessing the power of markets.

Appropriations so far have totaled some \$6.5 billion and compacts worth over \$4.8 billion have now been signed with 15 countries. MCC funding can significantly increase U.S. assistance to a country and is a major investment of taxpayer money in a small number of countries. The lead time between obligation of funding and actual expenditures in country can be long, and compacts are carried out over a period of up to five years.

Countries that have fallen short of qualifying for MCC assistance by failing one or two policy indicators may be eligible for the MCC threshold program. Threshold programs provide smaller grants designed to help improve performance on specific indicators.

The hope is that MCC countries can become models, showcasing the rewards of sound policies and good government. MCC compacts cover the full panoply of economic development activities. Staff visited seven countries with MCC compacts (Armenia, Georgia, Ghana, Honduras, Morocco, Mozambique, and Nicaragua), and seven with MCC threshold programs (Indonesia, Jordan, Peru, Philippines, Rwanda, Tanzania and Zambia).

MCC relies on USAID to organize and implement threshold programs. In two countries, Jordan and Tanzania, the decision not to wait for the completion of threshold programs before announcing compact eligibility were seen by embassy staff as unnecessarily undermining the ability to leverage policy reforms. It would be better in their view to pursue the threshold program goals full throttle and see some improvement in targeted areas before deflecting the attention of the government into new areas of focus demanded by compact negotiations.

The MCC sometimes builds on programs that USAID and other donors have pioneered. In some cases, this causes resentment. USAID officials complain that their agency could do such projects, particularly in infrastructure, if they only had the funding. In other cases, USAID officials seem pleased to see their projects picked up by the MCC and boosted with additional resources. In still other cases, MCC is investing in important new areas and undertaking projects that would otherwise have gone unfunded.

In some countries, MCC and USAID officials have developed a division of labor where MCC invests in removing impediments to growth while USAID emphasizes policy reform and targeted projects. In other countries, coordination between MCC and USAID is weak. Problems stem from an MCC desire to have a new and different identity. This streak of independence should be tempered with the recognition that embassy officials, especially USAID personnel, have deep knowledge and experience in the country. USAID, on the other side, should recognize that MCC brings enormous resources to countries where USAID has been working with scarce resources for a long time. A poor relationship between the two inhibits the effectiveness of overall U.S. Government assistance to the host country. Worse, it could actually have a negative impact on compact implementation. A strong ambassador who insists on

coordination and communication between the two agencies should be supported by headquarters.

### *PEPFAR*

During his January 2003 State of the Union Address, President Bush proposed that the United States spend \$15 billion over five years to combat HIV/AIDS, tuberculosis (TB), and malaria through the President's Emergency Plan for AIDS Relief (PEPFAR). With PEPFAR, the United States leads the world in its level of support for the fight against HIV/AIDS. PEPFAR funds are used for prevention, treatment, and care services in 15 focus countries where the administration estimates 50 percent of all HIV-positive people live. PEPFAR funds are also channeled as U.S. contributions to the Global Fund to Fight AIDS, Tuberculosis, and Malaria.

The Office of the U.S. Global AIDS Coordinator, responsible for PEPFAR coordination, was created in January 2004 within the Department of State. USAID and the Department of Health and Human Services (HHS) are primarily responsible for implementing PEPFAR programs in the field.

PEPFAR countries visited were Botswana, Ethiopia, Mozambique, Rwanda, South Africa, Tanzania and Zambia. PEPFAR is welcomed in embassies, as it provides a substantial increase in funding. In some countries, however, it is seen as too narrowly focused on anti-retrovirals (ARVs) and the prevention of only one disease. Some officials are also concerned that the sheer size of PEPFAR assistance in some countries causes decision makers to cut USAID funding as they try to spread U.S. development investments to as many countries as possible. Such cuts are inducing embassies to craft USAID projects in such a way as to be able to tap into PEPFAR funding. "USAID is turning into the U.S. Agency for Health," said an embassy official in Tanzania, reflecting a general concern in African posts that other pursuits are being crowded out.

Doctors and nurses in many PEPFAR countries are being enticed into HIV/AIDS care at the expense of primary and maternal health. A broader definition of use would prevent the unintended consequence of weakening a country's overall health infrastructure. A broader definition would also allow for complementary programs such as food aid. PEPFAR does coordinate with the World Health Program and with U.S. PL-480 programs. However, staff witnessed a program in Rwanda that provided food to only a small fraction of the eligible needy people on PEPFAR-provided ARVs. Without food assistance, the benefits from medication are wasted.

Given that PEPFAR is intended as an "emergency response," there has been little focus on how to make the interventions sustainable. Given that ARVs are a lifetime need and many recipients are children who contracted AIDS in utero, the United States is committing to a decades-long program. The President has requested a follow-on 5-year \$30 billion program.

Whatever problems still need addressing, PEPFAR is clearly making a significant impact. PEPFAR has supported: antiretroviral prophylaxis for HIV-positive women during 533,700 pregnancies, thereby averting an estimated 101,500 infant HIV infections; life-saving antiretroviral treatment for approximately 1,101,000 men, women and children through bilateral programs; care for more

than two million orphans and vulnerable children; and over 18.6 million counseling and testing sessions to date, through prevention of mother-to-child transmission and other counseling and testing activities.

#### *President's Malaria Initiative*

In June 2005, President Bush launched the President's Malaria Initiative (PMI) which increases support for international malaria programs by more than \$1.2 billion between FY06 and FY10. PMI's goal is to reduce deaths due to malaria by 50 percent in 15 countries by focusing on the most vulnerable groups—children under five and pregnant women. PMI supports four key areas—indoor spraying of homes with insecticides; insecticide-treated mosquito nets; anti-malarial drugs; and treatment to prevent malaria in pregnant women.

PMI is led by USAID and includes efforts from the Department of Health and Human Services (Centers for Disease Control and Prevention), the Department of State, the White House, and other agencies.

Staff visited three PMI countries: Mozambique, Rwanda, and Tanzania. In the field, PMI is considered better coordinated than PEPFAR, having had the opportunity to learn from the PEPFAR's challenges. PMI provides local communities with a health benefit while also supporting employment by hiring sprayers from the communities. They support the manufacture and selling of bed nets so that, after PMI has concluded its work, the local market can continue to supply them.

PMI has been particularly successful in Tanzania, helping to almost eliminate malaria on the island of Zanzibar. Sustainability of the effort is important, as malaria was wiped out twice before in Zanzibar's history.

#### *MEPI*

The Middle East Partnership Initiative (MEPI) was created in December 2002 with the purpose of promoting political and socioeconomic progress in the Middle East and North Africa. Using Economic Support Funds, it works to fund entrepreneurs, organizations, and projects that hold promise of providing a strong, multiplier effect. It is placing a special focus on women, working with lawyers, NGOs, and other women's organizations to support candidates and other leaders working to strengthen women's voices and participation in public and private decision-making. Managed by the State Department's Bureau of Near Eastern Affairs, MEPI's funding stream has gone from \$29 million in FY02 to averaging approximately \$100 million per year since. For FY08, the administration requested \$75 million.

MEPI is administered from Washington with embassy input at some posts but not others. In Jordan, the MEPI program is overseen by the embassy's public affairs office. In Lebanon, when the embassy acquired an additional political officer under the Global Repositioning Initiative, the ambassador appointed the officer as his special assistant and assigned him the task of coordinating MEPI programs with USAID and the public diplomacy section. In both Lebanon and Jordan, MEPI programs are welcomed and seem

for the most part well-integrated. It should be noted, however, that embassy officials complained that some U.S. grantees were attending a MEPI regional conference in Amman that the embassy had never heard of, much less been invited to attend. It appears that the regional MEPI office in Tunis had failed to inform the embassy.

Across a number of North African posts, MEPI's reputation ranges from uneven to abysmal. Embassy officials roundly express reservations for the approach, implementation, leadership and evolution of the program. In Morocco, MEPI is accused of "sneaking around incognito." MEPI programming in Morocco has apparently tested the edge of host country tolerance and one MEPI media project apparently bordered on breaking Moroccan law. The Moroccan government, among others, has indicated its distaste for foreign programs that seem to have ulterior motives. MEPI programs that the embassy described to Washington as weak or worse were sustained through several complaints, though most eventually were terminated.

The regional field offices in Tunis and Abu Dhabi appear to make conscious efforts to fly above or below the radar of individual U.S. embassies in the region. It is not useful for MEPI to be run outside the purview of post oversight.

#### *FSA/SEED*

In response to democratic developments in Eastern Europe and Eurasia in the final days of the Soviet Union, the Freedom for Russia and Emerging Eurasian Democracies and Open Markets (FREEDOM) and Support Act (known as FSA) and Support for Eastern European Democracy (SEED) Acts were passed in 1992 and 1989, respectively.

In the Europe/Eurasia bureau (EUR) the office of the U.S. Assistance Coordinator to Europe and Eurasia (EUR/ACE) was created to coordinate virtually all foreign assistance monies (excluding certain Department of Defense programs) flowing to 27 states in the region. A dedicated assistance coordination office is unique only to the Europe/Eurasia bureau, and EUR/ACE, in its bureaucratic structure, served as a mini-DFA for assistance to the region, with most foreign assistance funds under EUR/ACE's authority.

In FY06, FSA monies expended totaled \$601 million out of a total of \$1.8 billion in U.S. Government assistance to Eurasian countries. Similarly, SEED monies totaled \$424.12 million in FY2006 out of a total \$733.48 million in U.S. Government assistance to Central and Eastern European countries. As these countries have improved their capacity for democratic development, FSA and SEED monies have been on a steady decline.

Staff reporters visited four countries under EUR/ACE: Armenia, Georgia, Ukraine, and Kazakhstan. Compared to non-EUR/ACE countries, these countries seemed to have a much easier transition into the "F" process. Posts were accustomed to working with a centralized EUR/ACE authority, as opposed to the situation in other regional bureaus where disparate keepers of smaller pots of money protected funds tenaciously.

Assistance officers at post reported that they always knew exactly whom to contact in Washington for changes in assistance disbursements as events at post warranted, and EUR/ACE had the

ability to quickly move money from one fund to another. For example, a senior U.S. official in Armenia recounted that in 2005, the embassy decided to shift emphasis to democracy promotion strategies in response to political developments in Armenia. Embassy officials brought this request to EUR/ACE and were able to shift money from an assistance account for “Economic Growth” to one for “Governing Justly & Democratically” very easily.

Senior U.S. embassy and assistance officials in Armenia felt the “F” process was already beginning to impact the hitherto efficient EUR/ACE process by now making “F” the final arbiter of assistance, leaving EUR/ACE’s role less clear. Expectedly, officials insisted that this sort of shift in funds would be much more cumbersome, if not impossible, with the new layer of bureaucracy from the “F” process.

#### *Democracy Fund*

Funding for the State Department’s democracy programs managed out of its human rights bureau (DRL) has risen from \$7.82 million in 1998 to approximately \$94 million in the 2007 regular budget for its Democracy Fund and other programs. As well, some \$260 million has been made available from supplemental appropriations largely for Iraq, Lebanon, and Somalia. Congress has routinely supported Democracy Fund programs well beyond the President’s request and has earmarked funding to support democracy in China, Iran, and Burma. The administration did not request appropriations for the Democracy Fund for FY08. Nearly all of DRL’s grantees are U.S.-based, non-profit organizations. Most grants from the Democracy Fund average \$500,000 for one to three years, though some grants can be as high as \$1 million.

Democracy Fund monies support individuals and groups around the world who are working to build civil society, recruit and train new leaders, and carry out free and fair elections. There is clearly tension in some embassies surrounding Democracy Fund projects. Embassy efforts vary in trying to get a handle on the kinds of U.S.-funded democracy programs in the host country. Termed variously “the outliers” and “the cowboys” by embassy officials, some democracy advocates can be seen as single-minded, driven, and not particularly amenable to embassy guidance. In Jordan, Democracy Fund implementers appear to make decisions without consultation with the embassy. Members of the embassy staff often hear about DRL grants after they have already been promised and are beginning to be implemented. DRL funding is included in the “F process” in Washington: it needs to be a team player in embassies as well.

#### *DOD Activities*

Department of Defense authorities in the foreign assistance field have expanded across the board over recent years. In calendar 2001, DOD expenditures represented only 7 percent of U.S. economic bilateral assistance. They were estimated to be 20 percent in 2006.<sup>10</sup> In Honduras, for example, DOD foreign aid is now nearly as large as USAID’s program.

<sup>10</sup>Official Development Assistance (ODA) figures provided to the Development Assistance Committee of the Organization of Economic Cooperation and Development (OECD) by USAID.

The expansion has taken place in a number of areas, many of which were previously funded in the civilian foreign affairs budget. Pentagon counterdrug assistance was originally authorized to be provided only to Peru and Colombia. It has expanded to a total of 14 countries and now includes vehicles and aircraft. In addition to some \$1 billion expected in FY08 for humanitarian relief and reconstruction in Iraq, DOD's humanitarian assistance is growing in other parts of the world as well. For example, the Combatant Commander Initiative Fund (CCIF), originally dedicated to supporting military training and education, can now be used to provide humanitarian and reconstruction assistance. DOD Humanitarian and Civic Assistance (HCA) funds supported 320 projects in 43 developing countries at a cost of approximately \$9.2 million in 2006, up from \$7 million in 2001. DOD disaster relief was approximately \$63 million in FY06, with much of that going to provide relief in the wake of the earthquake in Pakistan.

In the area of security assistance, Section 1206 train-and-equip funding has expanded from a cap of \$200 million set in 2005 to a current cap of \$300 million, and the number of recipient countries has expanded from a total of 14 the first year to an additional 28 countries in FY07.<sup>11</sup> DOD authority to reimburse countries such as Pakistan and Jordan who are providing logistical support to U.S. military operations in Iraq and Afghanistan in connection with the war against terror has grown to \$1.2 billion annually.

With such an increase in funding and programs coming directly from the Department of Defense, albeit ostensibly with the concurrence of the Secretary of State, even greater embassy scrutiny is needed to ensure that the foreign aid is coordinated at post. Informed judgments need to be made that such assistance is in keeping with overall U.S. Government policy toward the host country and U.S. interests therein.

Findings from country visits for this study confirm the need for continued embassy oversight and attentiveness.<sup>12</sup> In one Middle East/North African country, military officials focusing on counterterrorism and military training demonstrated little sensitivity to anti-American sentiment in the country and the level of radicalization among the local populace. With significant numbers of American soldiers in country, they said they try to address "a State Department issue" by having soldiers maintain a low profile when off-duty. The team stressed its close relationship with the host country's military: "We walk in the Ministry like it's our own," one defense official declared proudly. Sensitivity to the impact a high U.S. military profile can have in a country needs to be shared embassy-wide. Even more important, the number of military personnel and activities must be reined in when their profiles and activities are judged by the ambassador to be detrimental to U.S. interests.

Further evidence of the need for a thoughtful approach is seen in the reservations that continue to be expressed in Africa about

<sup>11</sup> Section 1206 refers to the section in the 2006 National Defense Authorization Act that gives the Secretary of Defense, with the concurrence of the Secretary of State, authority to design and carry out programs jointly formulated with the Secretary of State to train and equip foreign military forces. This authority previously resided solely with the Secretary of State.

<sup>12</sup> For previous findings, see *Embassies as Command Posts in the Anti-Terror Campaign*, U.S. Senate Committee on Foreign Relations, December 2006, S. Prt. 109-52.

the establishment of a new combatant command for Africa, AFRICOM. The new command has generally been supported by American officials with expertise in Africa. But a number of reasonable Africans voice concerns that it portends an exclusively military approach to the terrorist threat or a new competition between China and the United States to be fought on African soil. U.S. foreign policy must continue to be led, and be seen to be led, by the diplomats rather than the generals or it will create its own resistance.

Section 1206 funding was established to address emerging terrorist threats and is required to be jointly formulated by the Secretaries of Defense and State. But this is not always the case. In Morocco, for example, Section 1206 proposals are generated by the European Combatant Command rather than reflecting a bottom-up approach that includes host country preferences. A focus on coastal security in the 1206 program is being accepted by Morocco but it is clearly not on the country's own counterterrorist agenda nor does it appear to address an urgent threat. There is far more diplomacy necessary in these cases. A lack of country buy-in has caused problems in the past. A program in North Africa due to be implemented in 2007 was terminated at the last minute by the embassy when the host countries had negative reactions to the level of regional cooperation it entailed.

EUCOM's interest in battling terrorism across the board in North Africa has resulted in a plethora of recommendations, briefings, and meetings with senior host country military officials. While new resources are always welcome, embassy officials cite a certain heavy-handedness and lack of knowledge of the local context resulting in ill-informed or poorly vetted programming ideas. Humanitarian assistance is an area that has embassy staff particularly concerned from a number of different angles. "For one thing, USAID can build a school a whole lot cheaper than DOD can," an embassy official in Tanzania pointed out. EUCOM hosted in Tunisia in 2007 a regional conference on humanitarian assistance that was, in name, cosponsored by USAID. The conference was called to discuss inter-agency issues. EUCOM provided funding and transportation for American officials across the region. Without such support, the conference might never have taken place but the arrangement provided another tangible indication of the resource imbalance between the military and civilian agencies. Such meetings are helpful and should provide our military with some of the knowledge they need to work effectively in the region. Nonetheless, they do not and cannot substitute for effective embassy oversight with respect to DOD activities in country.

The expanding role of DOD in foreign aid, if the decision is made to sustain it, makes it imperative that it be included in the overall strategic plan for foreign assistance. It should be part of a reformed "F process" and factored into decision-making on both priorities and planning at headquarters as well as in embassies.

#### USAID

As other programs have multiplied, USAID traditional core programs have become a smaller share of the total, though they are still almost 50 percent of bilateral U.S. calendar year official devel-

opment assistance.<sup>13</sup> In its traditional programs, USAID focuses on long-term economic development. The agency works with governments to identify and overcome development obstacles, strengthening education, health, and other public sector activities, and supporting American and indigenous NGO's in their social, economic and political development activities.

In addition to carrying out its own programs, USAID in the field has become the essential "go to" agency for implementing a number of the new programs. USAID manages MCC threshold programs, administers a significant portion of the PEPFAR funding, and utilizes Economic Support Fund money to carry out programs that in previous times would have come from its own budget. USAID officials, with development experience, country knowledge, and personal contacts in the host country's development community, often serve as advisors to the ambassador on all foreign assistance questions.

USAID's reputation in Washington does not reflect the key role its individual experts are clearly playing in the countries visited. One of the reasons Washington has turned to multiple new programs designed to carry out specific missions is precisely because the agency is seen as multi-layered, bureaucratic, and slow to react. An ability to adjust to quickly moving events, changes in the country or region, or new strategic objectives has never been seen by either branch of government as USAID strengths. Congressional formal and informal tugs at the agency's programs and projects have also taken a toll. As a result, the agency's staffing has decreased and its operating budget has suffered. In 1980, there were approximately 4,000 direct hires in the USAID workforce; today there are 2,000.<sup>14</sup> More recently, since 2001, the operating budget has remained essentially flat while the increase in programs that the agency is implementing has gone from approximately \$7.4 billion to some \$13 billion today.<sup>15</sup>

In embassies too, in the past, USAID has had the reputation of "doing its own thing," protecting its long-term programs from the "political interference" of either headquarters or the ambassador. But its reputation in the embassies is now changing as USAID officials take on new assignments and provide assistance to all the new programs.

With more assignments in the field than staff to perform them, USAID has increasingly turned to contractors, many former USAID employees, and NGO's to implement its traditional core programs. USAID officials often act as managers of programs rather than as hands-on experts in one or two specialized fields of development. In some countries, such as Rwanda, all USAID assistance is implemented through third parties.

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<sup>13</sup> See Appendix III.

<sup>14</sup> Testimony of USAID Administrator-Designate Henrietta H. Fore before the Senate Committee on Foreign Relations, July 24, 2007.

<sup>15</sup> Testimony of Sean R. Mulvaney, nominated to be an Assistant Administrator of the United States Agency of International Development, at his nomination hearing, October 30, 2007.

## ADDITIONAL OBSERVATIONS

## THE ROLE OF AMBASSADORS

A good ambassador has a keen sense of the landscape, figuratively and literally. The ambassador knows what tactics fit best into the puzzle of the country and its economy, maintains a strong working relationship with the host government, and keeps a firm hand on all U.S. Government activities in country. In the foreign aid area, ambassadors have addressed the need for coordination in a number of ways. Some have appointed economic officers to lead, others have established working groups with leadership varying depending on the specific function, and still others have put USAID officials in charge. In Lebanon, the ambassador took advantage of the increase of staff under the Global Repositioning Initiative to give the job to his new special assistant. In Bolivia, the Ambassador named the USAID country director the acting Deputy Chief of Mission to fill a staffing gap. In 19 of the 24 embassies visited, there did seem to be an adequate coordination mechanism with strong oversight by the ambassador.

Domestic agencies that enter the foreign assistance arena need to be convinced both in Washington and in the field to consult with the embassy team. Embassy officials had to set things right after the Department of Homeland Security organized a border security program with Lebanese officials that competed with a German effort already agreed to by international donors. In Liberia, a domestic U.S. agency contracted with a proscribed vendor to import rice for a child feeding program without first consulting with the Ambassador or the country team. It was the embassy who had to explain to the Liberian government and extricate the agency from the contract. On the other hand, good results can emerge when domestic agencies are looped into embassy activities and deliberations. The Department of Agriculture has provided two American forestry experts to assist the Liberian government in the creation of a more transparent and accountable system of logging rights. Working with USAID, the agriculture experts have made an important contribution to helping sort out timber concessions, a major source of income for this very poor country. Zambia is another example where embassy coordination has worked. A high-level Zambian official approached the U.S. Treasury while on official business in Washington and identified financial sector reform as a much needed component in the country's anti-corruption program. Treasury responded by providing technical staff to work in the Zambian ministry and, at the time of the staff visit, funding issues were being resolved to send an additional resident advisor from Washington to work with the Zambian government.

In one of the two embassies staff visited that have been without an ambassador's leadership for more than a year, coordination efforts were much more fractious than in embassies with ambassadorial leadership. USAID complaints were more numerous, newcomers were more likely to be resented than folded into the embassy team, and there was a greater likelihood of different programs pursuing separate agendas. In every embassy visited, Ambassadors leading a strong front office were seen as clearly indispensable to a coordinated foreign aid program.

Not only is the ambassador's leadership important. It is also the ambassador's judgment that should be brought to bear. Ambassadors must have a sophisticated understanding of the tensions that can exist among competing U.S. goals. When a U.S. funded activist group is using tactics that are sure to create a backlash and set back the cause of democracy, the ambassador needs to know about it and curtail the activity. Likewise, the ambassador needs to take action when the U.S. military profile is becoming too large or U.S. assistance is becoming imbalanced or when it is unwise to further strengthen the security sector. In all of these sensitive judgments, the ambassador is not always guaranteed to be right. But it is only the ambassador who represents the President of the United States in country and who has the broadest view of American interests.

#### STAFF CHALLENGES

In a perfect embassy, the professionalism of the foreign aid staff always wins out. The new PEPFAR program builds seamlessly on the success of USAID health programs. USAID provides a long-term grant to a highly worthy and successful MEPI recipient. The MCC brings an astounding amount of resources to an agricultural project that was designed by USAID but could never go beyond a pilot project due to lack of resources. Economic Support Funds (ESF) funding is amicably divided up among programs competing for the ambassador's approval.

There are, of course, no perfect embassies. Inter-agency rivalries are easily apparent to visitors interested in hearing the complaints. It is the long-term USAID staff that is most unhappy. They see themselves doing a lot of the backstopping for the new programs and getting none of the credit. They question the experience of the newcomers, whether projects are being successfully vetted and evaluated, and whether, in the end, they will be successful. For example, a young staffer with PEPFAR flew into a conference in Rwanda and reportedly brought a host country foreign expert to tears with some insensitive and rigid pronouncements. In Mozambique, USAID has been directed by PEPFAR at headquarters to implement programs that the embassy team had recommended against as inappropriate and ill-suited to the country. Such episodes are galling to U.S. aid professionals who are working to craft appropriate local programming. Overall, USAID officials see the new programs getting the funding and their own programs struggling and sometimes losing in the competition for resources.

In the best run embassies, the underlying disgruntlement is not all-consuming. There is clearly plenty of work for everyone in the new foreign aid firmament. USAID professionals should see their work as the important contribution it is, whether or not their agency is getting proper credit. But employee morale is an issue that needs to be addressed over the long term. Losing our most experienced foreign aid professionals or our most promising recruits to other endeavors at a time when we have raised development to the highest level priority would be self-defeating.

## USAID ADMINISTRATOR

Discontent in USAID with the current situation has led some non-governmental and other experts to argue that the Administrator of USAID should be raised to a cabinet-level position.<sup>16</sup> The preponderant view on this staff is that such a change would weaken rather than strengthen U.S. foreign assistance. The perception that development is intrinsically linked to national security would fade and Congressional support for funding would diminish still further. A foreign aid cabinet minister would be no match for the Department of Defense, the Department of the Treasury, or other cabinet departments in the effort to coordinate foreign aid. Equally important, at a time when the civilian side of the national security team needs strengthening, it would be split in two, with all the potential for rivalry and division of purpose that two cabinet agencies in foreign policy implies.

When the DFA position was created, it was dual-hatted as both a State Department position with rank comparable to the level of Deputy Secretary and as the USAID Administrator. In the view of most but not all staff working on this project, this arrangement has not worked. The DFA has been too consumed with the coordination process to manage USAID and its programs and USAID has lost a prominent and high-level spokesperson to argue its case when there are differences between State and USAID. As a result, this report contains the recommendation that the USAID Administrator should revert to its previous status as a separate position.

Some members of the staff working on this report disagreed. They favored continuing the dual-hatting of the Administrator of USAID and DFA. The argument rests on the view that such duality is the best way to preserve a USAID role in the coordination of all foreign assistance provided by U.S. Government agencies. The insights and experience of USAID staff are indispensable in formulating development policy. It was argued that a separation of the two positions would effectively relegate USAID to operations-only, diminishing the policy impact of development experts. To complement the dual-hatting of DFA and USAID at headquarters, it is also argued that other agencies should be required to obtain approval from USAID in the field before proceeding with their development projects. That opinion rests on the observation that USAID staff generally has a better sense of the opportunities and limitations on the ground than do other officials who are developing projects from Washington.

## REGIONAL AND COUNTRY FINDINGS

## SUB-SAHARAN AFRICA

Foreign assistance to Africa has swelled significantly over recent years due to increases in HIV/AIDS funds, the President's Malaria Initiative, Millennium Challenge Account grants and humanitarian needs in conflict countries, including Darfur, Sierra Leone, and Liberia. Africa's share of bilateral aid was 8.8 percent in FY01 and

<sup>16</sup>Lael Brainard, "Organizing U.S. Foreign Assistance to Meet Twenty-First Century Challenges," pp. 62-63 in *Security by Other means: Foreign Assistance, Global Poverty and American Leadership*, The Brookings Institution, 2007.

will be some 30 percent in FY08 if the administration's request is granted. Responding to the AIDS epidemic has been a critical focus, with funding in the health sector going from \$344 million in 2001 to a proposed \$3.9 billion in 2008. Traditional USAID programs funded under the Development Assistance account have been increasing, going from \$424 million in 2001 to \$490 million requested for 2008.

### *Botswana*

Botswana, with a population of 1.8 million people in an area almost the size of Texas, has had the fastest income growth in the world since its independence in 1966. Per capita income now stands at \$5,530. Botswana's progress has been achieved through conservative fiscal policy and sound management of resources. Botswana has essentially transformed itself from a poor country to a middle-income country. Some of its success is due to its wise use of diamond mine revenues to fuel economic development. Mining, mainly diamonds and copper, is an important economic activity in the country, accounting for about 33 percent of the GDP. Financial services, subsistence farming, and cattle raising are also important. Tourism is quickly becoming one of the most important economic activities. Much like South Africa, Botswana must also deal with high unemployment and income disparity.

Botswana has one of the highest HIV/AIDS rates in the world. There are an estimated 350,000 people living with HIV or AIDS, approximately one-sixth of the population. Botswana is fighting the disease with one of the most progressive and comprehensive programs in the region. Regardless of the progress made in treatment, however, the number of infected people continues to escalate.

The U.S. Government considers Botswana to be a sustaining partnership country. For FY07, Botswana received \$38.19 million in U.S. foreign assistance, of which \$37 million is for HIV/AIDS (\$35.54 million through PEPFAR and \$1.46 for the Peace Corps which is solely focused on HIV/AIDS). Smaller sums included \$500,000 allocated for Foreign Military Financing, and \$690,000 for International Military Education and Training under Peace and Security. The International Law Enforcement Academy (ILEA) has a branch in Gaborone that opened in 2003. The Government of Botswana has invested \$5 million in the facility. The United States spends approximately \$1.2 million on training elite police officers from 23 African and Indian Ocean nations.

The Department of Defense has contributed to infrastructure needs by committing to build ten HIV/AIDS voluntary counseling and testing sites and a number of daycare centers for orphans and vulnerable children. Funding comes through DOD Humanitarian Assistance and is not represented in the "F-process," the Operational Plan (which is a very small document due to lack of USAID presence), nor the Country Operational Plan (COP) which is a 580-page document.

A major problem in the country is the lack of health care professionals. Botswana does not presently have a medical school and, since it is a relatively new country, there are no generational lineages of doctors. Botswana, unlike many other countries, does have the ability to pay doctors that come into the country, but immigra-

tion doesn't come close to meeting the demand. Language barriers and cultural differences with foreign doctors has also posed some problems. A number of U.S. hospitals and medical schools have collaborative programs in the country to not only treat patients, but also to help train medical personnel.

Another hurdle to progress is the increase in the number of orphans. The United Nations Development Program (UNDP) estimates that by 2010, more than 20 percent of all the children in Botswana will be orphaned due to HIV. Staff members were consistently informed that a future HIV/AIDS reauthorization should be clean of earmarks, with the exception of the 10 percent set aside for orphans and vulnerable children (OVC).

Overall, it appears that U.S. resources are making a difference in the country. However, in the long run, with technical assistance from the United States, Botswana should be able to maintain its HIV/AIDS program independently and should no longer need to be a PEPFAR Focus Country.

### *Ethiopia*

Ethiopia is a poor country with a per capita income of \$160, and a population of 77 million people in an area larger than the states of Texas, Oklahoma and New Mexico combined. Unique among African countries, Ethiopia maintained its freedom from colonial rule with the exception of the 1936-41 Italian occupation during World War II. A constitution was adopted in 1994, and Ethiopia's first multiparty elections were held in 1995 with Prime Minister Meles Zenawi elected as Prime Minister. Meles has served as Prime Minister since then. A border war with Eritrea late in the 1990's ended with a peace treaty in December 2000 monitored by a UN peacekeeping mission (UNMEE). Elections in 2005 saw widespread violence in the capital Addis Ababa after parties opposing Meles accused the government of fraud. In the ensuing demonstration, government security forces opened fire on protestors, killing some 200 people.

Access to sufficient food is a major day-to-day issue for a vast number of Ethiopians. In an effort to meet the challenge, USAID is targeting assistance toward improving agricultural productivity and marketing capabilities.

Policy makers must decide how to balance Ethiopia's generally supportive and productive efforts in the Global War on Terrorism (GWOT) with its deficiencies in democracy and governance. Whether the United States can effectively use mutual interests in GWOT activities and stability in the Horn of Africa as entree and leverage to improve the domestic political environment in Ethiopia is an open question. As a result of the government's repression of political opposition, little U.S. assistance has been targeted towards the military for either equipment or training.

The U.S. Government considers Ethiopia to be a developing country. The bulk of U.S. assistance has been for the treatment of HIV/AIDS. It will top \$409 million in FY08.

### *Ghana*

Ghana is a country of 23 million people in an area slightly larger than the states of Indiana and Illinois combined. Well endowed

with natural resources, Ghana has roughly twice the per capita income of the poorest countries in West Africa at \$450. Even so, Ghana remains heavily dependent on international financial and technical assistance. Gold, timber, and cocoa production are major sources of foreign exchange. The domestic economy continues to revolve around subsistence agriculture, which accounts for 37 percent of GDP and employs 60 percent of the work force, mainly small landholders.

The United States hopes to help Ghana solidify democratic gains. Beginning in the 1990's, successful elections have established a trend toward peaceful and democratic transitions of government. Because of such strides, the country has received an MCC compact valued at over half a billion dollars over five years. This funding is focused on improving agriculture, infrastructure, and education. Such efforts, if successfully managed, will go far toward achieving Ghanaian goals of greater "democratic dividends."

U.S. non-MCC assistance decreased after the announcement of the \$547 million MCC compact signed in August 2006. Total U.S. assistance, exclusive of MCC funding, peaked in FY06 at some \$70 million, dropped to \$60 million in FY07, and dropped to a request of \$41 million in FY08. The bulk of the FY08 drop results from a significant decrease in PL-480 food aid. Ghana is considered by the U.S. Government to be a transforming country.

MCC funding will focus on improving Ghana's agricultural output and infrastructure related to transporting crops to Accra for export. In the area of rural development, the compact assistance is intended to bolster basic community services and service delivery. This will be done with, among other things, construction and rehabilitation of educational facilities, water sanitation and rural electrification. There is some concern that the five year time-line for the compact may be too short to complete the proposed projects, in particular the infrastructure improvements. In the area of education, USAID officials expressed the view that the MCC's focus on facilities is somewhat misplaced as the more serious problem is low teacher salaries, causing recruitment, attendance, and retention problems. They lacked full confidence in what they called the MCC's "build it and they will come" approach.

### *Liberia*

Liberia was founded as a republic in 1847 by freed slaves from the United States, thus establishing the close historical links between the two countries. The country of 3.8 million people is slightly larger than the state of Ohio.<sup>17</sup>

After more than a decade of authoritarian rule and civil war, democratic elections in late 2005 brought President Ellen Johnson Sirleaf to power. A former World Bank staffer and United Nations Development Program director, she is the first woman elected to lead any African country. Civil war and government mismanagement have destroyed much of Liberia's economy, especially the infrastructure in and around the capital, Monrovia. Following the destruction and looting of the hydro-electric plant, electricity is vir-

<sup>17</sup> Per capita income comparable to data supplied for other countries, via the World Bank Atlas Method, is not available.

tually non-existent and supplied only by individual generators. The lack of hydro-power is particularly appalling given that Monrovia is the world's wettest capital, with some 200 inches of rain falling each year. Many businesses have fled the country, taking capital and expertise with them. The country is heavily dependent on international support and remittances. The unemployment rate is roughly 85 percent.

The U.S. Government considers Liberia to be a rebuilding country. U.S. policy in Liberia is to help create a stable, functioning democratic state on the ashes of a country rent by civil war. The United States, working closely with the United Nations and the 15,000 UN peacekeepers in the country, seeks to create viable government institutions. As such, U.S. assistance addresses all aspects of Liberian civil society from the judiciary to the police force to rebuilding Liberia's military. It is also aimed at Liberia's shattered economy and is logically focused on those areas where the country can produce revenue the fastest—through diamond and timber exports.

U.S. assistance is fully in line with Liberia's own goals and has risen dramatically since the demise of Charles Taylor. In FY06, Liberia received \$126 million and in FY07 \$138 million, a "democracy dividend" intended to help rebuild the country. Economic assistance is two-thirds of the total with military assistance as the remainder being spent on the professionalization of the armed forces.

### *Mozambique*

Mozambique has emerged from a debilitating thirteen-year civil war to become a recipient of significant amounts of U.S. and international assistance. It is a country of 20 million people who live in an area almost twice the size of California. The per capita income is \$310. Despite strong economic growth since the end of the civil war in 1992, 54 percent of the population lives at or below \$1 a day, while agriculture supports 80 percent of the population. Following three decades of conflict, Mozambique has remained among the poorest of countries but has shown economic dynamism in the last decade, averaging 8 percent annual growth. A severe, generalized HIV/AIDS epidemic, with 16 percent prevalence rate among adults, is an overwhelming challenge for the country's limited health system and constrains further economic growth.<sup>18</sup> With a 1500-mile coastline, Mozambique has also been identified as a significant strategic partner on regional security issues.

The country and people of Mozambique face challenges similar to their African neighbors, including poverty, joblessness, and weak institutions, as well as occasional humanitarian emergencies, including the threat of refugee flows from Zimbabwe. Mozambique lacks the capacity for coastline policing and patrols and cannot contend with the challenges posed by illegal fishing and transit of vessels suspected of carrying illegal immigrants, drugs and weapons.

Vestiges of the violent civil war remain as barriers to the fiscal and bureaucratic reform necessary following decades of colonial and socialist mismanagement. The government's limitations in ef-

<sup>18</sup> Mozambique ranks 168 out of 177 countries on the 2005 United Nations Development Program Human Development Index.

fectively responding to social, political, or economic upheaval or natural disaster are evident. This was seen most recently in the massive explosion in the capital Maputo of a remnant weapons stockpile, igniting shells and rockets that rained down across the city killing dozens of people and destroying scores of buildings. Reflecting past suspicion and insecurity, initial international offers of assistance were rebuffed before the government finally allowed a degree of technical support to arrive from abroad.

Three of the newer programs—PEPFAR, MCC, and PMI—are all present in Mozambique. In FY2006, Mozambique received approximately \$143.3 million in U.S. assistance, an approximate doubling of U.S. assistance since FY01. These FY06 funds included \$94.4 million for PEPFAR; \$17.3 million in Child Survival and Health; \$13.4 in Development Assistance; \$2.34 in Non-Proliferation, De-Mining, Anti-Terrorism, and Related Programs (NADR); \$250,000 in International Military Education and Training (IMET); \$15.6 million in P.L. 480 Food Aid. In FY07, in addition to signing a 5-year, \$506.9 million Compact with MCC, Mozambique received U.S. foreign assistance of \$174 million, including \$17 million in anti-malaria assistance through PMI.

In FY08, Mozambique is expected to receive nearly \$300 million in addition to MCC funds. Other U.S. Government funding includes State Department, a Treasury Department program training local police, Peace Corps, and occasional funding from the Departments of Justice and Labor. The U.S. Government considers Mozambique to be a transforming country.

### *Rwanda*

Rwanda is a poor landlocked country with rolling hills in east-central Africa. It is Africa's most densely populated country with almost 10 million inhabitants and a per capita income of \$230 in an area roughly the size of Maryland.<sup>19</sup> The primarily Catholic country is still recovering from a civil war and an eruption of genocidal rage in 1994 that killed nearly one million people and created close to two million refugees and thousands of orphans. Many women who were raped in the course of the civil war and genocide are now living with HIV/AIDS.

Despite substantial international assistance, the country continues to struggle to boost investment and agricultural output. Ethnic reconciliation is complicated by the real and perceived minority political dominance.<sup>20</sup> Despite the government's attempt to create a new Rwanda that sees the population as "Rwandans first," ethnic divisions and the psychological scars of the genocide still undermine progress.

The main U.S. foreign aid objective for Rwanda is helping the country overcome the legacy of its civil war and genocide. The country's under-five mortality is among the worst in Africa, with malaria the primary cause of death. Life expectancy for Rwandans is approximately 40 years. The country has a 3 percent HIV/AIDS prevalence rate, lower than was initially estimated by the international community.

<sup>19</sup> <http://www.cia.gov/library/publications/the-world-factbook/geos/rw.htm>

<sup>20</sup> *Ibid.*

Rwanda is a PEPFAR focus country, a PMI focus country, and is being considered for an MCC threshold program. Under the new Strategic Framework, Rwanda is characterized as a developing country, a low- to lower-middle income country that is not yet meeting certain political and economic performance criteria.

The ambassador maintains a table of all the assistance that U.S. agencies provide Rwanda. The total figure is \$179.7 million. His staff noted that it is difficult to track down some numbers as not all agencies are required to report the amounts directly to the ambassador. Ideally, every embassy should be tracking all U.S. foreign aid disbursed in country. At headquarters, the “F process” should be providing transparent, worldwide comparisons of such country-based information. It is difficult to obtain such information now. For example, a CRS estimate of U.S. foreign aid spending for Rwanda came up some \$35 million short of the ambassador’s accounting.

Of the total, PEPFAR/Global HIV/AIDS Initiative (GHAI) funding totals \$116 million for FY08. Economic Growth programs are to receive \$10.3 million, Governing Justly and Democratically \$2.3 million, and Peace and Security \$0.4 million.

U.S. policy goals for Rwanda are clear but do not match U.S. funding priorities. The overall U.S. priority for Rwanda, as stated by the embassy, is to move the country from genocide recovery to peaceful growth. This was broken down into sub-priorities: infrastructure, rural development, education, and health.

Rwanda was reportedly designated a PEPFAR country without being consulted. However, the Rwandan government does not want to turn away U.S. assistance just because it doesn’t address its priorities, because needs also exist in non-priority areas.

### *South Africa*

South Africa is almost the size of Texas, California and Michigan combined. It has been inhabited for thousands of years and has attracted immigrants from all over Africa, as well as Europe, China and South Asia. Apartheid, which assured that the white minority would control political power, dominated the political system until 1991. In April 1994, the first nonracial elections were held, and Nelson Mandela was elected president of the interim government.

After Mandela stepped down in December 1997, his successor, Thabo Mbeki, began switching the government’s focus from reconciliation to transformation, especially on the economic front. South Africa is now considered a middle-income country. It has an emerging market with abundant natural resources, a modern infrastructure, the tenth largest stock exchange in the world, and well-developed transportation, legal, financial, communications, and energy sectors.

Nonetheless, South Africa still struggles with several economic problems which stem from the apartheid era. Per capita income is \$4,820. Unemployment and poverty among disadvantaged groups are two of the biggest contemporary problems. Rampant crime, high HIV rates, and uneven access to basic services add to the development challenge.

There are two South Africas. The first segment of the population has satellite television, goes to shopping malls, and uses the inter-

net. A second larger segment lives in shanty towns with limited electricity and running water. The official unemployment rate is 26 percent, but is realistically closer to 40 percent. The crime rate in South Africa is one of the highest in the world.

South Africa is deeply afflicted by the AIDS epidemic. Around the millennium, President Mbeki denied that HIV/AIDS was a problem in South Africa. He started to acknowledge the presence of the disease among his people only three or four years ago. Currently, more than 5.5 million South Africans are infected with HIV, some 12 percent of South Africa's total population of 43 million, one of the highest concentrations in the world. An estimated 40 percent of all deaths are AIDS related. The long term economic stability of the country depends on getting the HIV infection rate under control, working out a treatment strategy to eventually take care of those infected, and establish a comprehensive plan to care for 1.2 million orphans.

The United States considers South Africa to be a sustaining partnership country. For FY07, South Africa received \$362.94 million in U.S. foreign assistance. Of this amount, \$336.38 million is allocated for the Global HIV/AIDS Initiative (PEPFAR). Development Assistance was \$19.28 million in FY07 and ESF funding \$980,000. Much of the focus is on economic growth among small and medium business enterprises that boost employment. Counternarcotics funding is \$500,000 and the Nonproliferation, Anti-Terrorism, Demining, and Related Program will spend \$100,000 for FY07. Military aid is only \$50,000 from the International Military Education and Training program. As of now, South Africa has not signed an Article 98 agreement to allow for military assistance. Until there is legislative relief from the requirement that countries sign pledges that U.S. military personnel will not be referred for prosecution to the International Criminal Court, South Africa is prohibited from receiving U.S. security assistance to improve its military's strategic airlift, disaster response, and peacekeeping capabilities.

### *Tanzania*

Tanzania is a country in East Africa twice the size of California with roughly the same population, 37 million people. The large country has a primarily agricultural economy with coffee, cashews and spices (cloves) comprising the main exports. Per capita GDP is \$340 and average life expectancy hovers around 50 years of age.<sup>21</sup> Over one-third of the population lives in abject poverty.

Comprised of mainland Tanganyika and the island of Zanzibar (actually made up of two different islands—Unguja and Pemba), the country has a unique political framework with a President, Prime Minister and Parliament that governs the United Republic of Tanzania. Zanzibar has its own President and Parliament that make policy independently of the United Republic on such domestic issues as education, social policy, and taxes, while leaving foreign policy and defense to the central government.

The U.S. Government considers Tanzania to be a transforming country. Currently, the U.S. is giving Tanzania roughly \$300 mil-

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<sup>21</sup> Ibid.

lion in aid for FY07 and the FY08 request is \$393 million. Tanzania is a unique recipient of U.S. foreign assistance in that it currently receives funding from USAID, the PEPFAR, PMI, and the Department of Defense. Tanzania is an Millennium Challenge Corporation (MCC) threshold country and recently finalized an MCC compact of almost \$700 million, making it one of only two countries to concurrently have an MCC threshold program and an MCC compact. The Ambassador provided a table summarizing all U.S. Government assistance.

Tanzania is an important U.S. partner in the war on terror. The 1998 bombing of the U.S. embassy demonstrated the impact only small numbers of extremists can have against U.S. interests. The number one mission priority in the FY09 Mission Strategic Plan (MSP) is enhancing Tanzania's counterterrorism capabilities.

Significant challenges facing Tanzania include corruption, access to clean water, provision of electricity/energy, weak infrastructure, inflation and food shortages. In addition, the country faces problems in the area of health with a 7 percent HIV/AIDS prevalence rate. Tanzania has made major strides in the fight against malaria, bringing the malaria prevalence rate in Zanzibar to under 1 percent. Although it has enjoyed democratic elections, the most recent election in Zanzibar was marred by charges of irregularity and fraud from international election observers.

U.S. policy goals for Tanzania are complex given the variety of competing organizations and actors. The bulk of U.S. assistance (over 80 percent) is going to fund health related projects, predominantly HIV/AIDS via PEPFAR with a significant amount also going toward malaria eradication programs under PMI. However, U.S. funding levels do not match up with the priorities as laid out under the Ambassador's mission plan:

- enhancing counterterrorism capability;
- improving health and education;
- strengthening democracy;
- promoting regional stability;
- spurring economic growth;
- influencing public opinion among Muslims; and
- efficient resource management.

Counterterrorism assistance is the top priority under the mission plan but receives a negligible amount of total funding. The mission's primary objective for FY09 is to establish a national inter-agency counterterrorism center that will work closely with Washington but as of yet there are no specific plans in motion for breaking ground on such a center. The vast majority of Tanzania's aid through USAID for FY08 was concentrated in Investing in People that funds health and education programs. Peace and Security, Economic Growth and Governing Justly and Democratically received small amounts of funding. Tanzanian officials and residents most often cite education, economic growth, lack of educated workers and poor infrastructure as the main challenges facing their country. Health, however, was never mentioned as the number one problem facing the country and yet this is where over 80 percent of U.S. funding is going.

### *Zambia*

Zambia is a southern Africa country of 11.5 million people, roughly the size of Texas. It is a recipient favored by the United States and other donors because of its stability and moderate, reform-minded government. Since independence in 1964, its economic development has been limited, barely surpassing that of even its most unstable or war-torn neighbors. Its per capita income is \$500.

Apart from America's interest in fostering economic growth and political stability in sub-Saharan Africa, the United States has limited strategic interests in Zambia. Zambia is a well-regarded voice in the region, however, on issues of particular interest to the United States and continues its helpful role as a regional arbiter. Zambian President Levy Mwanawasa's posture towards Zimbabwean President Robert Mugabe's economic mismanagement has been cautious, though he has compared Zimbabwe to the "sinking Titanic whose passengers are jumping out to save their lives." Zambia has also issued one of the strongest statements from an African country against the mass killing in Darfur.

Zambia has become one of the largest recipients of U.S. assistance in Africa due in large part to the emergency response to the devastating AIDS epidemic. Recent high level U.S. official visits, including that of First Lady Laura Bush and former President Bill Clinton, have highlighted efforts to combat AIDS as well as the increased interest in warm relations between our countries. Additional assistance is flowing following significant debt relief through the Highly Indebted Poor Country (HIPC) program in 2005–2006. Zambia hopes to become eligible for a Millennium Challenge Compact in the near future.

As with its neighbors, Zambia's greatest challenge is HIV/AIDS. It infects 16 per cent of the population and has caused average life expectancy at birth to plummet to 32.7 years. Corresponding to the challenge, U.S. assistance to Zambia's health sector comprised over 83 per cent of total U.S. assistance to Zambia for FY07; for FY08, this proportion is expected to increase to 91 per cent. Total U.S. assistance to Zambia has swelled over 380 per cent between FY01 and FY07; if the FY08 request is approved, assistance will have expanded by 770 per cent over the same period.

The United States considers Zambia to be a developing country. Total U.S. Government assistance obligated for Zambia in 2006 was approximately \$268 million. These funds provided a variety of technical assistance and other support that is managed by the Department of State, U.S. Agency for International Development, Millennium Challenge Corporation (MCC) Threshold Program, Centers for Disease Control, Department of Treasury, Department of Defense, and Peace Corps. The majority of assistance was provided through PEPFAR. In addition to supporting development projects, the United States has provided considerable emergency food aid during periods of drought through Title II.

USAID administered more than \$141 million in obligated funding for 2006. This included the management of over \$70 million for PEPFAR and \$22 million for the MCC threshold program assistance to Zambia to fight corruption, reduce administrative barriers, and make customs clearance more efficient to improve trade. Dur-

ing 2006, in addition to PEPFAR and MCC, USAID focused on the following:

- Increasing private sector competitiveness;
- Improving quality of basic education for more school-aged children;
- Improving health status of Zambians; and
- Mitigating the impact of HIV/AIDS through a multi-sectoral response.

#### LATIN AMERICA

Foreign assistance for Latin America can vary from year to year depending on budgets for large programs. With such variations along the way, it has risen since the start of the administration, increasing from \$862 million in FY 2001 to a requested \$1.4 billion in FY 2008.<sup>22</sup> Assistance to Colombia has been a critical focus as the U.S. Government tries to help the country work toward lasting peace and counter the role of narcotics. The MCC is working with seven countries in Latin America and has compacts with El Salvador, Honduras, and Nicaragua and threshold programs in Guyana and Paraguay. Haiti and Guyana are PEPFAR focus countries. There has been a modest shift away from traditional USAID programs in education, environment and humanitarian assistance, with the 2008 request showing a 4 percent decline in such programs from the previous year.<sup>23</sup> The administration defends a gradual reorientation of foreign assistance to some Latin American countries, arguing that progress in those countries warrants a more intense focus on economic growth and the creation of jobs to help consolidate democratic gains.

#### *Bolivia*

Bolivia is one of the poorest countries in the Western Hemisphere with a per capita income slightly more than \$1,000.<sup>24</sup> It has a population of 9.8 million people in a country the size of Texas and California combined. For the past several decades, Bolivia has progressed significantly on both political and economic fronts. In the last 5 years, however, social and economic divisions have become more prominent, coca cultivation has proceeded apace, and longstanding ethnic and regional tensions are now occupying center stage.

U.S. priorities in Bolivia are: strengthening institutions of government and the consolidation of democracy; reducing narcotics production and trafficking; and improving the climate for private investment and making sure that the Andean Trade Preference and Drug Eradication Act (ATPDEA) is extended. U.S. assistance is generally in line with the Bolivian government's stated priorities, as projects are formulated with transparency and host government consent.

<sup>22</sup> USAID Administrator Tobias statement, House Appropriations Committee, Subcommittee on State, Foreign Operations, and Related Agencies, March 8, 2007.

<sup>23</sup> Congressional Research Service Report RL32487 U.S. Foreign Assistance to Latin America and the Caribbean, March 28, 2006, Connie Veillette, Clare Ribando Seelke, and Mark P. Sulivan, Foreign Affairs, Defense and Trade Division, CRS.

<sup>24</sup> GDP data in this section is from World Bank, Atlas Method.

The United States Government considers Bolivia a transforming country and is providing economic and military assistance totaling approximately \$120.77 million during FY07. The level of assistance has been going down for the past three years. The USAID budget in Bolivia accounts for the majority of U.S. bilateral assistance totaling approximately \$85.7 million in FY07. It supports activities that consolidate democracy, help achieve broad-based equitable and sustainable development, and reduce narcotics production and trafficking. USAID's programs are intended to address the key issues of poverty and social exclusion by focusing primarily (but not exclusively) on the rural population.

For the last three years, MCC has selected Bolivia as eligible to compete for funding, but no compact has yet been signed. The Bolivian government is now in the process of revising its 2005 proposal and hopes to have plans approved soon so that compact negotiations with the MCC can begin.

#### *Honduras*

Honduras has a population of 7.3 million people with a per capita income of \$1,120 in an area slightly larger than the state of Tennessee. It is one of the poorest and least developed countries in Latin America with a GNP of \$894 million and nearly two thirds of the population living in poverty.

The country has enjoyed a relatively long history of stable democracy compared to its neighbors. Unfortunately the country is plagued by the same problems facing much of the region: rampant and pervasive corruption at all levels of government, malnutrition, poverty, high infant mortality and school drop out rates, escalating crime, and drug trafficking. Arguably the most violent country in the region with a murder rate more than nine times that of the United States, Honduras is facing a rapid rise in gang-related crime that threatens to undermine progress made toward improving the climate for private investment. The gangs are also increasingly linked to narco-trafficking. Honduras is currently classified as a transit drug country rather than a production country, but its geographic location and port make it a critical link in the drug trade.

Honduras has been a long-time U.S. ally with a relationship that dates back to the early 1900's when U.S. banana companies began building up a sizable presence in the country. U.S. influence in Honduras expanded in the 1980's when the U.S. sought to leverage the positive relationship between the two countries against the Sandinista government in Nicaragua. Total U.S. assistance to Honduras during the 1980's reached almost \$1.6 billion. This amount of consistent, substantial foreign assistance clearly did not boost economic progress to the extent that might have been hoped. By the early 1990's, at the end of the contra war, U.S. foreign aid began to decline. Peace in the region diminished the attentiveness of U.S. policymakers as other regions of the globe received higher priority for funding. However, the devastation caused by Hurricane Mitch in 1998 resulted in almost \$300 million in U.S. recovery assistance to Honduras. In addition, the United States has provided substantial support through debt forgiveness: in September 1991, it forgave \$434 million in official bilateral debt. In 2005, Honduras

reached the completion point under the HIPC initiative and qualified for multilateral debt relief.

U.S. Government priorities in Honduras are:

- Regional security: focus on controlling the increase in violence (mostly gang related) as well as using Soto Cano military base as a way of coordinating security in the region, specifically in terms of counter narcotics.
- Good governance: focus on rule of law and critical judicial reform in an attempt to combat rampant corruption. Also increase accountability of public institutions.
- Poverty reduction/economic development: specifically relating to implementing and maximizing the impact of the CAFTA and building trade capacity.
- Investing in people: specifically education and health related programs. Focus on expanding access to education for all levels as well as developing accountability systems such as standardized testing and evaluations.

The U.S. Government considers Honduras to be a transforming country. Honduras signed a compact with the MCC in June 2005. The MCC program totals \$215 million and is focusing on building roads and developing the agricultural sector. The total USAID budget for FY07 in Honduras was \$46.8 million, down from \$53.7 million in FY05 and \$53.1 million in FY06. The request for FY08 is \$42.5 million.

### *Nicaragua*

Nicaragua is the second poorest country in the hemisphere after Haiti, with a GNP per capita of \$950 and a population of 5.1 million. Slightly larger than the state of Michigan, it is a major transit point for drugs coming from Colombia and elsewhere in South America. Democratic roots remain shallow following the Sandinista government's war against the U.S.-backed contras in the 1980's, a conflict that devastated the economy as well as many political institutions. Corruption is endemic, especially in the court system. Malnutrition is a serious problem, the literacy rate is 67 percent and the educational system is considered weak. Electricity is unavailable for about eight hours a day in the capital. The nation faces a fresh political challenge with the election as president last November of former Sandinista rebel leader Daniel Ortega.

Nicaragua has made enough progress according to MCC indicators to qualify in the first wave of MCC countries. As a result, the country entered into an MCC compact in 2006 which will provide \$175 million for a regionally concentrated economic development project, including infrastructure development, land-titling and property rights and crop diversification.

Given the political, economic, social and drug trafficking concerns, U.S. assistance has included military, education, nutrition and health, democracy and governance, and economic development programs. Developed prior to MCC eligibility, a USAID five-year plan, 2003-2008, called for \$279 million in total assistance, but in the end the money received fell short by \$42 million. All the cuts came in the economic growth program.

The U.S. Government considers Nicaragua to be a transforming country. Last year, owing to the elections, about 30 percent of USAID's budget for the country went for democracy and election efforts, but that is now being scaled back to a more normal 20 percent. The USAID budget for FY 2006 was \$48.5 million, the planned FY07 figure is \$35 million, and the projected FY08 figure is \$27.2 million. Embassy officials attribute this drop in traditional USAID assistance to the MCC and to the F-process classification of Nicaragua as a "transforming" country, better off than a "developing" country. Embassy officials said the halving of AID money and staff could cause political problems for U.S. policy if President Ortega chooses to make an issue of it. President Ortega does support the MCC work in Nicaragua.

U.S. military assistance to Nicaragua is expected to be \$10.2 million in 2007 and was \$4.4 million in 2006, much of which went towards training and equipment in counter-narcotics. Nicaragua has earned high marks for its drug seizure operations, and the army is considered apolitical and a source of stability. Its approval rating is around 90 percent.

#### *Peru*

Peru has a population of almost 28 million people with a per capita income of about \$2,640 in a country three times the size of California. Between 2001 and 2006, the Peruvian economy grew by an average of six percent, one of the highest growth rates in Latin America. Though Peru has benefited from sustained economic growth, almost half of Peruvians still live in poverty and 18 percent live in extreme poverty. President Alvaro Garcia is trying to lead Peru toward prosperity by consolidating democratic gains and by tying the country's economy to free markets and free trade.

U.S. Government priorities in Peru are: (1) Counter-narcotics and alternative development; (2) Spreading the benefits of economic growth, including improvements in the public health and education systems, to the long-neglected majority of Peruvians; and (3) Strengthening national government institutions to address low levels of confidence in democracy.

The U.S. Government provides assistance to the Government of Peru totaling in FY07 approximately \$143 million in economic and military aid. Such assistance was \$159 million in FY05 and \$142 million in FY06. The request for FY08 is only \$90 million, reflecting a drop in the narcotics control and Andean counterdrug initiative account. The U.S. Government considers Peru to be a developing country.

The USAID budget in Peru accounts for the most significant portion of U.S. bilateral assistance. It totaled \$80 million for FY07 and is used for activities that emphasize trade-led economic growth and increased market access for micro, small and medium enterprises. Limited government presence in the highlands and jungle allows illegal coca cultivation, drug trafficking, and illegal logging. Remnants of the Shining Path terrorist group continue to threaten and intimidate some communities, and remote areas suffer from poor health care. USAID programs offer alternatives to illicit coca and strengthen government effectiveness to provide services in health, education, and environmental management in areas most affected

by illegal drug cultivation. In the governance sector, perceptions of unresponsiveness to citizens' demands and an inability to deliver services effectively and transparently result in a continuing low level of confidence in democratic institutions. USAID works to improve the accountability and effectiveness of selected regional and local governments and to encourage constructive dialogue with citizen groups. A free trade pact with Peru is still awaiting action in the U.S. Congress.

#### EAST AND SOUTH ASIA

The United States has raised military, economic, and development assistance primarily for counterterrorism objectives in the East Asia-Pacific (EAP) and South Asia regions, with Pakistan, India, the Philippines, and Indonesia receiving the bulk of the increases. Average annual funding for the EAP region (excluding North Korea) during 2002-2006 was \$494 million compared to \$368 million in 2001. Annual foreign aid spending for South Asia (excluding Afghanistan) during 2002-2006 averaged \$953 million compared with \$201 million in 2001.<sup>25</sup>

For FY08, South and Central Asia would see an increase of nearly 7 percent, largely due to assistance to Afghanistan and Pakistan. The Near East would receive a 5 percent increase, mainly due to Iraq assistance. Funding to the East Asia and the Pacific region would increase by 2 percent.

#### *Bangladesh*

Bangladesh, a primarily Muslim country, is one of the world's most densely populated with 147 million inhabitants in an area roughly the size of Wisconsin. Given the location of the country on a flood plain, the nation is vulnerable to repeated floods, droughts, and cyclones which routinely devastate the largely agricultural economy. Infrastructure is very poorly developed and only about 30 percent of the population has access to electricity. It is one of the poorest counties in the world with a per capita income of \$470 per year.<sup>26</sup>

Intensifying political gridlock, paralyzing general strikes, and deteriorating law and order all create obstacles to development and progress.<sup>27</sup> Transparency International ranks Bangladesh as one of the countries most susceptible to corruption, a major impediment to growth.

U.S. policy goals for Bangladesh are fairly cohesive, since there are no competing military or strategic priorities. Priorities, as stated by the Embassy and noted in the Mission Strategic Plan and Operational Plan, are in order of relative importance:

- peace & security;
- democracy and governance;
- investing in people (health and education);

<sup>25</sup> Congressional Research Service Report RL31362 U.S. Foreign Aid to East and South Asia: Selected Recipients, August 22, 2007, Thomas Lum, Specialist in Asian Affairs, Foreign Affairs, Defense, and Trade Division.

<sup>26</sup> <http://www.devdat.worldbank.org/AAG/bgd<aag.pdf>

<sup>27</sup> <http://www.usaid.gov/policy/budget/cbj2007/ane/bd.html>

- economic prosperity; and
- humanitarian assistance;

USAID programs focus on democracy and governance, health and education, and poverty alleviation, and match well with overall U.S. priorities. Staff saw a range of USAID and multilateral development bank projects that addressed leadership development, local and community governance, the environment, alternative income generation, health and AIDS, anti-corruption, and participatory village development.

The United States considers Bangladesh to be a developing country and provides Bangladesh with assistance through USAID in four key areas: disaster mitigation and food security (\$46.4 million in FY07); health (\$28.8 million in FY07); democracy and governance (\$8.6 million in FY07); and economic growth (\$1.3 million in FY07).<sup>28</sup> The United States also provides assistance to Bangladesh through the Departments of State, Defense, and Agriculture and the Centers for Disease Control.

### *Indonesia*

Indonesia is the world's most populous Muslim country with more than 231 million people in an area almost three times the size of Texas. The per capita income is \$1,260. The country's growth rate was about 5.5 percent in 2006.

President Susilo Bambang Yudhoyono has committed his government to a number of key priorities: continuing development of the education infrastructure, combating corruption, encouraging transparency in government, promoting reform in the armed forces, and pursuing and prosecuting terrorists intent on killing Indonesians and Americans. The Indonesian government has invited the United States to be a partner in the country's efforts to increase economic opportunity and improve the rule of law. In the U.S. view, Indonesia has a significant role to play in the economic development and stability of Southeast Asia.

The United States considers Indonesia to be a developing country. Total U.S. foreign assistance in FY07 for Indonesia is \$150 million. Economic Support Funds, (ESF) claims the largest amount at over \$69 million. The amount for Development Assistance (DA) is nearly \$30 million. Other funding is spread out among Child Survival and Health (CSH), P.L. 480, Foreign Military Financing (FMF), International Military Education and Training (IMET), International Narcotics Control and Law Enforcement (INCLE), and Nonproliferation, Anti-Terrorism, Demining and Related Programs (NADR).

For years, corruption has hampered Indonesia's economy, but recent efforts to combat it, enhance financial sector soundness and build a better business climate are seeing results. With USAID's assistance, Indonesia was removed from the Financial Action Task Force's "money laundering" monitoring list in 2006. Increased investment in 2005 has also spurred the economy while foreign direct investment in Indonesia rose to \$13.6 billion in 2005—a 30 percent increase from 2004.

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<sup>28</sup> Ibid.

### *Mongolia*

Mongolia, with fewer than 3 million people in an area larger than the state of Alaska, has a per capita income of \$720. Mongolia's strategic location between China and Russia, two traditional rivals and nuclear powers, adds to Mongolia's significance. Mongolia faces formidable challenges due to its harsh climate, small domestic market, landlocked status, and underdeveloped infrastructure.<sup>29</sup> Mongolia, considered to be a transforming country, is unique as a recipient of U.S. foreign assistance, as it continues a 16-year transition from being a Soviet-controlled socialist state to an emerging democracy. The U.S. Agency for International Development (USAID), points to Mongolia as "an important example to others in East and Central Asia on how to manage an economic transition from a centrally planned to a free market economy within a democratic framework." However, even with tremendous progress, many elements of the Mongolian population have not yet realized the benefits of a market economy.

The MCC has approved a nearly \$285 million compact over five years with the Mongolian government. It includes funding to help build the country's rail network, to expand land titling, to strengthen vocational education and to promote improvement in the legal and regulatory environment.

USAID is also playing a strong role in providing assistance to Mongolia. Total USAID assistance to Mongolia from 1991 through 2007 was about \$170 million, all in grant form. About two-thirds of USAID Mongolia's FY07 budget of \$6.2 million promotes economic growth and focuses on macroeconomic policy reform, energy sector commercialization, financial sector reform, strengthening the cashmere and tourism industries and providing business development services to small and medium enterprises. The other third focuses on judicial sector reform, electoral reform, parliamentary reform and anti-corruption.<sup>30</sup>

In most years since 1993, the U.S. Department of Agriculture has provided food aid to Mongolia under the Food for Progress and 416(b) programs. The monetized proceeds of the food aid (\$3.7 million in 2005), are used to support programs bolstering entrepreneurship, herder diversification, better veterinary services, and disaster relief. The United States has also supported defense reform and an increased capacity by Mongolia's armed forces to participate in international peacekeeping operations. Present combined FMF and IMET levels for Mongolia are approximately \$3 million. With U.S. DOD assistance and cooperation, Mongolia and the U.S. jointly hosted "Khan Quest '06," the Asian region's premier peacekeeping exercise in 2006.<sup>31</sup>

### *The Philippines*

The Philippines has a population of more than 88 million people with a per capita income of \$1,290 in an area slightly larger than the state of Arizona.

<sup>29</sup> USAID Mongolia Fact Sheet 2006.

<sup>30</sup> U.S. State Department Country Notes, 2007.

<sup>31</sup> *Ibid.*

The United States considers the Philippines to be a transforming country. For the past several decades, the U.S. continues to support efforts to promote good governance at the local and national levels, improve electoral systems, and promote rule of law. Many programs across other sectors, including health, education and natural resource management also contribute to improved governance, especially at the local level. FY06 U.S. assistance to the Philippines amounted to \$170 million, which includes FMF (nearly \$30 million); and IMET (about \$3 million). Other significant categories of U.S. funding include Development Assistance Funds (over \$23 million); Economic Support Funds (over \$24 million); and Child Survival and Health Funds (over \$24 million). A Millennium Challenge Account threshold grant amounts to nearly \$21 million.

The United States assists the Philippines in health and education. Health programs include reproductive health, maternal and child health, TB, HIV/AIDS and avian flu preparedness. Education programs increase access to and the quality of basic education in the conflict-affected areas of Mindanao.

In working to address constraints to trade and investment, improve regulatory quality and improve tax collection, the U.S. implements programs that spur the economic growth of micro-enterprises, improve economic infrastructure, increase agricultural productivity, enhance the employability of youth, help manage over-exploited forest, coastal and marine resources and encourage judicial reform.

The Millennium Challenge threshold program focuses on fighting corruption and improving performance in the revenue administration agencies. This, in turn, will allow the Philippines to invest more in programs to support broad-based economic growth, improve social services and reduce poverty. Finally, the U.S. provides humanitarian assistance to victims of natural disasters and internally-displaced persons in conflict affected areas.

#### MIDDLE EAST AND NORTH AFRICA

The United States provides foreign aid in the Middle East as an incentive to foster peace agreements among countries and to encourage the emergence of societies that are stable, tolerant and inclusive. Combined with diplomacy, it is intended to help stem the violent extremism that erupts regularly from this central theater of global terrorism. Despite pockets of abundant energy wealth, the region is well known for endemic poverty, longstanding refugee camps, and violent power struggles. Currently, the Middle East receives more U.S. foreign aid than any other region of the world, a total of some \$8 billion in FY07.<sup>32</sup> Egypt and Israel combined received \$4.2 billion of that amount and some \$2 billion went for Iraq reconstruction.

#### *Jordan*

Jordan, slightly smaller than Indiana, is a long-time U.S. partner in a deeply troubled region. It is a country of fewer than 6 million people with a per capita income of \$2,490. Jordan has supported

<sup>32</sup>Congressional Research Service Report RL32260 U.S. Foreign Assistance to the Middle East: Historical Background, Recent Trends, and the FY2008 Request, July 3, 2007, by Jeremy M. Sharp, Middle East Policy Analyst, Foreign Affairs, Defense, and Trade Division.

U.S. stabilization and reconstruction efforts in violence-plagued Iraq, its neighbor to the northeast. Jordanian materials and civilian personnel have been important to Iraqi rebuilding, and Amman is a way station for the hundreds of Americans moving in and out of Iraq. Jordan was not a member of the military coalition that overthrew Saddam Hussein and its government would like to see the United States be more active in Middle East peacemaking. Jordanian public sentiment runs strongly against Israel, its operations in Lebanon last year, and its ongoing dispute with the Palestinians. Jordan hosts almost 2 million refugees from Palestine, a significant number among a population of only 6 million, more than half of which are themselves of Palestinian origin. More recently, between 500,000 and 750,000 refugees have arrived from Iraq. Major economic problems include insufficient natural resources, especially water, a third of the population living below the poverty line, and an official unemployment rate of 14 percent. The actual rate is likely higher.

The Government is a constitutional monarchy headed by a king who is pushing forward with both economic and political reforms while keeping a tight hold on security. The prime minister is appointed by the king to head a government whose popularity has not been fully tested. The close relationship with the U.S. Government, Jordan's 1994 peace accord with Israel, and accusations of corruption within the government and parliament are key themes among government opponents, particularly the Jordanian Muslim Brotherhood.

Jordan has a national planning capacity that regularly develops economic plans on both a national and sectoral basis. One of the top goals, according to Jordanian government officials in Amman, is to continue reducing indebtedness. Debt repayments, while declining, still make up some 60 percent of gross domestic product. U.S. cash payments in 2007 are running at some \$119 million, approximately 45 percent of Jordan's economic support fund assistance.

Addressing its water shortage is also a top goal, and USAID has been a full partner in providing advice, technical expertise, and funding. The Jordanians and Americans agree that the strategic focus should be on limiting demand as the country is currently using twice as much water as is produced by rainfall. Ominously, aquifer levels all over the country are dropping. Jordan is one of the ten most water deprived countries in the world.

Socio-economic development is also a top Jordanian goal and is supported by U.S. foreign aid to education, health, and entrepreneurial development, areas which do not seem to spark differences among priorities. The education sector is under special strain, particularly now that Jordan has allowed Iraqi refugees to attend public schools. The U.S. interest in democracy promotion is welcomed by the Jordanians. Political reform was cited by the prime minister appointed in November 2005 as a key objective. U.S.-supported democracy programs focus on media, political party, and candidate development. There are few viable political parties in Jordan that focus on issues rather than personalities. The main opposition camp is dominated by Islamists who largely oppose U.S. foreign policy objectives in the region.

The United States considers Jordan to be a developing country and is the largest aid donor to Jordan by a factor of five. The regular foreign assistance request for FY08 for Jordan is \$513 million, divided between economic assistance and military assistance on a 3:2 ratio. Jordan is receiving an additional \$25 million as an MCC threshold country and stands to receive more MCC assistance if a full compact is agreed upon between the two governments. The FY07 emergency supplemental, recently signed by President Bush, included some \$80 million for Jordan.

#### *Lebanon*

Lebanon has a population of about 4 million people with a per capita income of \$5,510 in an area slightly smaller than the state of Connecticut.

U.S. assistance to Lebanon increased sharply after the conflict between Israel and Hizballah in the summer of 2006. The 34-day conflict resulted in significant damage to housing, roads and bridges. Unexploded cluster bombs in orchards and fields set back agricultural production and have continued to wound workers. While Hizballah suffered losses, it remained intact as a powerful militia and is still seeking to topple the pro-Western government. U.S. assistance is focused on humanitarian relief, reconstruction, and strengthening the country's governmental institutions and armed forces.

The United States considers Lebanon to be a rebuilding country. Total assistance for FY07 is estimated to be over \$800 million, primarily for the post-conflict rebuilding effort which was provided for in the FY07 supplemental. The FY08 request is \$78 million divided between \$53 million in economic assistance and \$24 million in military aid. The U.S. provides assistance to Lebanon through USAID, the Department of Defense (section 1206 and 1207), and the Middle East Partnership Initiative. U.S. assistance is generally in line with the Lebanese government's priorities for rebuilding the country and enhancing the effectiveness of the armed forces. U.S. military aid played a significant role in assisting the Lebanese Security Forces rid Palestinian refugee camps of an outlawed Al Qaeda-inspired militant group during the summer of 2007.

#### *Morocco*

Morocco has a population of 31.7 million people, with a per capita income of \$1,750, in an area slightly larger than the state of California. The primary economic drivers of the Moroccan economy are phosphates, tourism, and agriculture. Morocco's per capita income is approximately \$4,800, below that of the oil/gas rich countries of Libya and Algeria where GDP per capita tops \$6,000. Efforts to boost Morocco's economy to world-class status have been halting, but it remains a favorite for donors. The economic development of Morocco has accelerated in recent years thanks to the willingness of the King to improve the environment for business.

The United States maintains a strong relationship with Morocco and has further reinforced this relationship through a series of important diplomatic and assistance agreements in recent years. In June 2004, the United States named Morocco a Major Non-NATO Ally; later that year Morocco signed and the Congress ratified a

Free Trade Agreement that went into effect January 1, 2006; and, on August 31, 2007, the United States signed Morocco to the largest MCC compact to date worth nearly \$700 million over five years. The designing of the compact was a prolonged effort that helped to build Moroccan capacity for development planning. It resulted in a multi-faceted strategy to reduce poverty and boost economic growth by increasing productivity and employment. The sectors receiving MCC funding are in agriculture, fisheries, artisan and craft, as well as financial services and small enterprise.

This moderate Arab state has been a steadfast and committed supporter of counterterrorism efforts since the September 2001 Al Qaeda attacks on the United States. Morocco has experienced its own significant home-grown terrorism as the target of internal attacks. In 2003, fourteen Moroccan suicide bombers killed 45 people and injured over 100 in attacks aimed at Western and Jewish targets. Earlier this year, suicide bombers targeted the U.S. consulate in Casablanca but succeeded in killing only themselves. Expatriate Moroccans have also been identified as perpetrators and collaborators of terror attacks in Spain, the United Kingdom, and the Netherlands. Most recently, Morocco has uncovered and eliminated terrorist training cells that had been sending recruits through the jihadi pipeline to Iraq and Afghanistan.

Morocco has the absorption capacity to take advantage of substantial international donor efforts. Although illiteracy and deep poverty mark many parts of the country, government expertise allows Morocco to plan and pursue development programs. The country has its own poverty reduction strategy, the National Initiative for Human Development, which lays out its path to achieving the UN millennium development goals.

The United States considers Morocco to be a developing country. The FY08 regular budget request shows a drop in non-MCC funding from \$40 million to \$29 million, with ESF funding down \$3 million, military assistance down almost \$9 million, and development assistance showing a slight increase.

#### EUROPE AND CENTRAL ASIA

The administration has been steadily reducing U.S. assistance to Central and Eastern Europe as well as the states of the former Soviet Union. A 12 percent decrease from \$845 million in FY07 to \$746 million in FY08 for Europe and Eurasia is the result of some countries graduating from aid programs. Cuts to FSA funding have been accelerating. The current regular budget request cuts FSA by 22 percent from the previous year. It should be noted, however, that such decreases will be roughly offset by the increase in MCC assistance through compacts in Armenia and Georgia which will total \$531 million over five years. Also, Ukraine is an MCC threshold country and is receiving \$45 million from the MCC.

#### *Armenia*

Armenia is slightly larger than the state of Maryland with a population of about 3 million people and a per capita income of \$1,470. Armenia has experienced steady economic growth (13.9 percent in 2005), and its eligibility to receive grants from the Millennium

Challenge Account attests to its overall commitment to democracy and economic freedom.

Positioned along the Caucasian energy corridor linking the Caspian basin and the Middle East with Europe and along the air corridor between U.S. bases in Europe and coalition forces in Afghanistan, Armenia is geo-strategically significant for U.S. policy and Operation Enduring Freedom. Armenia is party to a “frozen” conflict with Azerbaijan over the Nagorno-Karabakh region. Due to its suspended relations with Azerbaijan and Turkey, Armenia’s border crossings with these two countries are closed. Armenia hosts Russian troops to guard its borders with Turkey and Iran. Armenia deployed 46 troops to Iraq in 2005.

Armenia has a paucity of its own energy resources. With two closed borders and unreliable land routes through Georgia and Iran, Armenia faces unique development challenges. In light of the role that corruption indicators play in establishing a country’s base eligibility for the MCC—with which Armenia has a \$236 million compact—accounts of corruption are of particular concern. MCC programs are focused on agriculture irrigation, infrastructure, and rural road rehabilitation.

At estimated FY07 levels, Armenia will receive some \$50 million in FSA funding; \$2.04 million in NADR funding; \$3.5 million in Foreign Military Financing (FMF); and \$0.79 million in IMET funding. The United States considers Armenia to be a developing country.

### *Georgia*

Georgia has a population of 4.5 million people with a per capita income of \$1,300. It is slightly smaller than the state of South Carolina. The United States considers Georgia to be a developing country.

Georgia declared its independence from Russia in 1991, after the fall of the Soviet Union. Thereafter, Georgia experienced a long period of conflict and strife, which was ultimately brought under some control by 1995. In 2003, elections were held in Georgia that were widely viewed as fraudulent by the United States as well as other countries and international organizations, such as the Organization for Security and Cooperation Europe (OSCE). In protest of these elections, Georgians conducted a “rose” revolution to demonstrate a peaceful rejection of the outcome. As a result of this and related activities, then President Shevardnadze ultimately resigned. In January 2004, Mikheil Saakashvili was elected president in a free and fair election, as judged by OSCE election monitors. The Saakashvili government has since demonstrated a desire to govern in an open and democratic manner but recently declared a state of emergency as a response to what it saw as Russian interference in the domestic political scene. Georgia has developed a cooperative relationship with the United States, working together on several fronts. President Bush has offered U.S. aid and supports Georgia’s quest to join NATO. Georgia is one of the countries that has consistently sent troops to Iraq to support the U.S. mission there.

One of the primary goals of U.S. assistance to Georgia is to promote a sustainable democracy after the Rose Revolution. The

United States and Georgia share many of the same policy priorities. U.S. assistance is designed to support the creation of a sustainable democracy and market economy, development of the rule of law, and the integration of Georgia into Western institutions. The United States is assisting Georgia to become a member of NATO with a view toward eventual EU membership. In addition, the United States has played a strong role assisting with conflict resolution in South Ossetia. There has been a separatist struggle within this region since Georgia declared independence from Russia in 1991. Currently, the OSCE has a presence in South Ossetia to promote peaceful resolution of the conflict. The United States has provided support for this effort bilaterally and through the OSCE.

Country-wide, economic problems persist, with both the U.S. embassy and Georgian government citing unemployment as the most significant issue. Since the Rose Revolution, annual unemployment has been about 15 percent. There is a sense throughout the Georgian government that the United States is interested in assisting and developing Georgia, which is reflected in the fact that most Georgian officials are publicly receptive to U.S. input on numerous fronts.

The MCC signed a five-year, \$295.3 million compact with Georgia in 2005. When submitting its proposal, the government cited a lack of reliable infrastructure and business development as two key reasons why they could not spur economic growth and simultaneously reduce poverty. MCC monies will be focused on addressing both of these issues. There is an infrastructure rehabilitation portion of the compact in the amount of \$211.7 million dollars. It will focus on a large-scale road project and energy development.

Total non-MCC assistance for FY07 is estimated to be \$73 million, down from \$135 million in FY06. The request for FY08 is \$64 million, with approximately \$53 million in economic aid and \$11 million in military aid.

### *Kazakhstan*

Kazakhstan has a population of 15.5 million people in an area that is roughly the size of the states of Washington, Oregon, California, Idaho, Nevada, Arizona, Utah, Montana, Wyoming, and Colorado combined. The per capita income is \$2,940.

Situated between Russia and China, Kazakhstan's geo-strategic location cannot be underestimated. Kazakhstan has the second largest oil and gas reserves in the Caspian Sea region, and Russia, China, and the West have all vied for preferential oil and gas pipeline routing from Kazakhstan.

America's relationship with Kazakhstan includes encouraging the leadership to open the country's political system to the tugs and pulls of democratic decision-making. U.S.-funded programs run by the American Bar Association, the National Democratic Institute, and the International Republican Institute work to train professional and civic leaders and build political parties that are capable of participating in political life. Nonetheless, the country's progress toward democratic governance has been flagging and elections fall short of international standards.

In 2003, America and Kazakhstan signed a five-year military cooperation agreement to combat terrorism, develop peacekeeping forces, bolster air defenses, enhance Caspian security, and establish language training facilities. Kazakhstan has offered the United States over-flight rights for operations in Afghanistan, the use of airbases to coalition forces, and was the first Muslim country to deploy troops to Iraq; approximately 26 troops are currently training Iraqis in de-mining and water purification. Kazakhstan is also a member of NATO's Partnership for Peace (PfP) program.

At estimated FY07 levels, Kazakhstan receives \$19 million in FSA funding; \$2.73 million in NADR funding; \$3.5 million in foreign military financing; and \$1.09 million in IMET funds. The United States considers Kazakhstan to be a developing country.

### *Ukraine*

Ukraine is a country with more than 46 million people in an area slightly smaller than the state of Texas. The per capita income is \$1,540. Ukraine is a strategically important country, having declared its independence from Soviet Russia in 1991. It emerged from the Soviet Union with the third largest nuclear arsenal in the world. U.S. assistance through the Nunn-Lugar program convinced Ukraine to join the Nuclear Non-Proliferation Treaty as a non-nuclear weapons state. As a result, nuclear warheads in Ukraine were returned to Russia under the Lisbon Protocol. Ukraine has sent peacekeeping troops to both Iraq and Kosovo.

In the "F process" framework, Ukraine is listed as a developing country. Its trade with EU countries now exceeds that with Russia, but Russia is still Ukraine's largest individual trading partner. Ukraine depends on Russia for supplies of natural gas and one of the major pipeline transit routes for Russian gas exports to Europe passes through its territory. A dispute over price increases prompted Russia to stop exports to Ukraine in January 2006. This development raised concerns across Europe about the reliability of Russian energy exports and Russia's willingness to use energy as a foreign policy tool. The gas was switched back on only after Ukraine agreed to pay almost twice the former price, which rose sharply again in 2007.

A focus of U.S. assistance is to consolidate the continuing evolution of democratic processes and promote a politically and economically stable country. September 2007 parliamentary elections were judged free and fair. A coalition government is being formed as a result of that election while Prime Minister Viktor Yanukovich plays a caretaker role until the new government is formed. The United States encourages Ukraine to seek accession to the European Union and collaborates with EU officials to promote stability and democracy in Ukraine. In addition, the United States has expressed support for Ukrainian membership in NATO if that is the desire of the Ukrainian people.

Ukraine currently has a threshold agreement with the MCC in the amount of \$45 million. Threshold programs are designed to provide assistance to a country which needs to improve its scores on one or more of the 16 policy indicators. Once progress has been made on these indicators, the country can then move toward signing a compact agreement. Ukraine scored poorly in efforts to com-

bat corruption, one of the 16 indicators. The two-year threshold agreement with Ukraine was signed on December 4, 2006. During this time, Ukraine will be trying to enact measures to combat corruption. The program is expressly designed to strengthen civil society's monitoring and exposure of public sector corruption in Ukraine, finance judicial reform efforts, improve government monitoring and enforcement of ethical and administrative standards, streamline enforcement of regulations, and combat corruption in higher education.

Economic aid to Ukraine under the FSA program has declined over the past several years and is now at a level of approximately \$80 million. Security assistance in the form of foreign military financing and international military education and training is approximately \$11 million.



## APPENDIXES

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### Appendix I

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#### ADMINISTRATION RESPONSES TO QUESTIONS FROM SFRC MEMBERS

Members often ask witnesses follow-up questions, i.e. questions for the record, on topics addressed in hearings. Below are administration responses to several such questions for the record, selected for their relevance to topics covered in this report.

FEBRUARY 8, 2007.—QUESTIONS FOR SECRETARY CONDOLEEZZA RICE

SENATOR LUGAR: How do you intend to maintain your primacy in foreign policy if you lose control of foreign assistance, one of the most important tools that you have at your disposal to define and pursue U.S. interests?

SECRETARY RICE: I take my responsibility for the overall supervision and general direction of U.S. foreign assistance exceptionally seriously. Select new DOD authorities offer an essential means of addressing rapidly evolving security challenges posed by, among other things, the GWOT. This is particularly true in environments where U.S. forces are present. I support such authorities in many cases, contingent upon the explicit preservation of my aforementioned statutory role with respect to foreign assistance, through their exercise “with the concurrence of the Secretary of State,” and in some cases through joint development procedures. In sum, any new authorities should be tailored toward the common goal of providing for closer integration of the administration’s foreign assistance efforts, consistent with my statutory responsibility regarding U.S. foreign assistance.

CHAIRMAN BIDEN: Why does the FY 2008 budget request reduce funding for child survival and health programs?

SECRETARY RICE: Investing in child survival and health programs for the developing world remains a high priority for this administration. Our FY 2008 request for \$1.6 billion in child survival and health (CSH) funds is 9 percent above our request in FY 2007 and only 1.7 percent below the appropriated level of FY 2006. In addition, the administration has requested supplemental CSH funds in FY 2007 for avian influenza. Health assistance is also supported by a request of \$4.1 billion in GHAI funds, more than double their actual level in 2006.

To ensure the optimal use of these funds, the foreign assistance reform process simultaneously considered a broad array of assist-

ance needs in addition to health in preparing the FY 2008 request. This process was designed to maximize results for transformational development by focusing assistance on the countries with the most need and on issues where U.S. assistance can obtain the greatest measurable results. Within the health sector, the outcome of this process is an increase in assistance in HIV/AIDS, malaria and avian influenza.

SENATOR LUGAR: How can the process designed by Randy Tobias, dual hatted as your foreign assistance director and Administrator of USAID, be made to include all foreign assistance?

SECRETARY RICE: The leadership role of the Director of U.S. Foreign Assistance is intended to provide coordination and guidance to all U.S. foreign assistance, including foreign assistance delivered through other agencies and entities of the USG such as the Millennium Challenge Corporation and the Office of the Global AIDS Coordinator. With specific respect to the Defense Department, we are working on putting the processes in place to ensure that foreign assistance provided under DOD authorities advances our foreign policy goals and is included in and coordinated with country strategic and operational planning.

SENATOR LUGAR: In the past 12 months, East Africa has become a top security and diplomatic priority. The State and Defense Departments are presumably working together to provide a coherent and effective policy.

In what areas is State taking the lead and in what areas is DOD taking the lead? How does the President's budget for 2007 and 2008, as well as your program of transformational diplomacy, ensure that State is capable of fulfilling its role in this region?

SECRETARY RICE: Security and stability in East Africa is a top U.S. priority and the relevant Departments and Agencies of the United States are working together closely to advance our interests and to make the region safer, more stable, and more prosperous. The State Department continues to take the lead in coordinating our foreign policy and in our diplomatic engagement with the broad array of partners and stakeholders in the region. The Department of Defense leads in military-to-military relations with our partners in the region and in implementing our military assistance activities. State, Defense and other agencies are committed to taking all necessary and coordinated action to respond to the terrorist threats to U.S. interests in the region, utilizing tools appropriate to the threat. The U.S. Agency for International Development is taking the lead in implementing the vast range of foreign and humanitarian assistance to the region. These varied activities are all closely coordinated through constant inter-agency engagement in Washington and in our embassies in the field.

We have revised our approach to foreign assistance to enhance our transformational diplomacy goals. This effort will better prepare the State Department and our embassies to meet the challenges in the region by more closely allying foreign assistance to U.S. foreign policy objectives. The President's budget reflects the resources to leverage our diplomatic engagement throughout the region in a holistic way to take advantage of the openings that exist to best advance our objectives. These objectives include: en-

hancing security and stability in the region, improving governance capacity, building democratic institutions, transforming African economies, breaking the cycles of drought and famine, and responding to the humanitarian needs of vulnerable populations.

While increased aid levels will help advance our goals, ultimately, our people are our greatest resource. Through our global repositioning process, we have cross-analyzed our human resources with our policy objectives. The result has been a net increase in the abilities of our embassies in the East Africa region to take advantage of opportunities and respond to the demands of the United States Government. The Department's plan to establish American Presence Posts in Mombasa and Zanzibar, and the expansion of our Somalia Affairs Section in the U.S. Embassy in Nairobi from a single Somalia watcher to a six-person section, supported by others temporarily assigned, are prime examples of this.

While government agencies have significantly increased the level of staff members visiting or temporarily assigned to the East Africa region to respond to developments, the State Department has been uncompromising in protecting the authorities of our Chiefs of Mission in the field. By maintaining control over the universe of inter-agency demands on Mission personnel and resources, our Ambassadors remain able to balance the competing demands of reporting, visits, implementation of assistance and exchanges, and conducting due diligence monitoring to ensure that the government and tax payers receive the optimal service and responsiveness from the finite resources available.

I look forward to the partnership of Congress to ensure that we have the resources to advance our common interests.

SENATOR LUGAR: For the past 22 years, the Ronald Reagan-inspired National Endowment for Democracy, and its related four institutes, has been working to overcome divisions in society at the grass roots levels in many transitional nations, especially in the former Soviet Union and Warsaw Bloc. Do you think this model, using non-governmental organizations funded in part by the U.S. Government to foster leadership and inclusiveness across the full range of society, is the best approach in the Middle East and among predominantly Muslim countries? Or should the U.S. Government actively support political leaders in these countries who, if successful, will be friendly toward the United States and rule within internationally accepted norms. The criticism of a more neutral approach is that it can lead to the election of extremists. The criticism of the selective approach is that it is not democracy promotion.

SECRETARY RICE: The U.S. Government uses a variety of tools and tactics to promote democracy and human rights, and we tailor our approach to the unique situation in each country—in every region around the world. Non-governmental organizations such as the National Endowment for Democracy and its related institutes, funded in part by the United States Government, play an important role in strengthening the ability of civil society in countries around the world to educate the public about basic freedoms, to hold governments accountable to their people, and to advocate for democratic reforms. Through the Bureau of Democracy, Human

Rights and Labor, and the Middle East Partnership Initiative, we also provide funds to U.S. non-governmental organizations that provide support to indigenous reformers and non-governmental organizations advocating for greater freedom and democracy, including in the Middle East and a broad range of Muslim countries.

Through technical assistance and voter education programs, we seek to help ensure free and fair elections in countries throughout the world. We do not take a position on individual candidates, but are consistent in our message that we will support leaders who govern democratically and behave within acceptable international norms.

JUNE 12, 2007.—QUESTIONS FOR UNDER SECRETARY HENRIETTA FORE

CHAIRMAN BIDEN: As acting Administrator of USAID, do you have plans to restore the technical capacity that has been lost at that agency over recent years? If yes, specify.

UNDER SECRETARY FORE: Yes. When I first served at USAID, our technical capacity was much more robust. Since that time, significant downsizing has left us far less reliant on our core permanent workforce, in favor of a U.S. non-direct hire workforce. It is my strong belief that USAID needs to increase its in-house technical capability throughout the world. If confirmed, I plan to do this in a systematic, thoughtful manner.

We need to both revitalize our Foreign Service Officer Corps and place those with the needed technical oversight skills in the positions where they will ensure an efficient and effective delivery of development services.

Over the past several years, our Office of Human Resources has developed a workforce planning model (WPM) that projects the need for technical staff based mainly on the amount of funding in a program. It is clear from the model that USAID needs to increase its permanent core technical staff as well as other staff, both Civil Service and Foreign Service.

In order to do this we have to increase our recruitment and career development programs and our supervisory training and absorptive capacity. This is the only way we can reach our increased mandates with rebuilding our capacity, both technical and other, as rapidly as possible.

CHAIRMAN BIDEN: Many have commented that the reform process has been one in which foreign assistance has been viewed solely through a lens of national security. Do you feel that national security concerns are the primary factor that determines how and where we spend our foreign assistance dollars?

UNDER SECRETARY FORE: National security concerns are certainly considered in determining the allocation of our foreign assistance resources, as are development concerns. By acknowledging that an appropriate balance must be struck between the two, the Secretary of State has clearly articulated our overarching transformational diplomacy goal as: "helping to build and sustain democratic, well-governed states that respond to the needs of their people, reduce widespread poverty and conduct themselves responsibly in the international system."

Our nation's security depends on the stability of other nations. The locus of threats has shifted to the developing world, where poverty, injustice, and indifference are exploited by our foes to provide a haven for criminals and terrorists. Foreign assistance and the development it supports are a key part of our national security architecture and the War on Terror.

In the past there was a perception that development policy and foreign policy objectives were entirely separate and typically at odds. Poverty reduction, good governance, and capacity building for sustainable long term success are long-held development goals. Foreign policy goals also now recognize that lasting peace and prosperity cannot be achieved unless we expand opportunities for all citizens of the global community to live hopeful and prosperous lives. As evidence of the Secretary's commitment to long term development, you will find that in the FY 2008 request, 51 percent of Department of State and USAID program assistance resources are concentrated in Rebuilding and Developing countries. These are the countries that are farthest away from sustaining partnership status, as measured by instability, poverty, human capacity, life expectancy, governance, and barriers to economic growth—all critical barriers to regional stability and success in the War on Terror.

**CHAIRMAN BIDEN:** Describe the comparative benefit of adopting a country-focused approach as opposed to the broad sectoral approaches used in the past. What have been some specific advantages of this shift? Where have there been problems and how will these be addressed? Is there value in keeping centrally funded programs, such as those promoting democracy, labor and the environment? Does the agency plan to continue funding sectoral programs to some degree?

**UNDER SECRETARY FORE:** The intent in adopting a country-focused approach is to maximize country progress with our programs supporting these goals. With sectoral approaches, we find that while we may be doing good work within discrete sectors, e.g., HIV/AIDS, malaria, family planning, etc., we may not be making the investments necessary to sustain the success of these investments and ensure that countries can sustain further progress on their own. In addition, with various sector-based strategies at play, country programs tended to be a patchwork of disconnected or loosely connected programs. Our programs thus tend to be "patches of green" instead of comprehensive, long-term country-based development strategies targeted to sustained development progress. The FY 2008 request reflects a focus on the specific gaps and obstacles countries face in moving along a development trajectory. The ultimate intent is to support recipient country efforts to move from a relationship defined by dependence on traditional foreign assistance to one defined by full sustaining partnership status.

In prior budget years, funds were allocated first by account, then by sector, and lastly, by country. Much of the budget was built by determining so much for family planning, so much for basic education, so much for security assistance, and so on. It is not that these sectors are not critical to a country's development strategy—clearly they are, and USAID and the State Department continue to evaluate resources by sector, ensure appropriate targeting, and in-

corporate best practices. It's a matter of what should drive the country's development program—country-prioritized need or a set global amount for a sector. The Secretary feels that we must tailor programs to the unique needs of each recipient country in reaching the transformational diplomacy goal.

Focusing resources in this way has its tradeoffs. When one area goes up, unless there is an abundance of new resources, other areas go down. While the FY 2008 budget increased by \$2.2 billion over FY 2006 enacted levels, we squeezed far more in the budget. The budget includes important increases for HIV/AIDS, malaria, and humanitarian assistance; and for countries in which there are new requirements and opportunities such as in Kosovo, Iran, and Cuba. The FY 2008 budget also reflects efforts to continue to shift program funding, where requirements are predictable, from supplemental requests for Iraq, Afghanistan, Sudan and avian influenza into the base budget. Country teams prioritized interventions that would help a country's institutions to build the capacity to take on challenges in the longer term.

In order to ensure a coordinated response and effective and sustainable impact, the reform process sought to maximize all resources implemented at the country level within country budgets. In identifying resources within global or regional budgets which were actually allocated to specific countries, we sought to bring transparency to the process as well as to ensure that what were in truth country resources were maximized and coordinated within country level budgets.

Previously, Ambassadors and Mission Directors often did not have a full picture of the resources being implemented in their countries, because some activities were planned and implemented from Washington. Consequently, they did not exercise full oversight over these programs, and doing so from Washington was costly and time-consuming. To empower our Mission Directors, Ambassadors, and country teams, the reform process maximized resources implemented at the country level into country-level budgets.

However, the FY 2008 budget also includes substantial funding in the centrally funded programs. We fully recognize that not all foreign assistance is, or should be, implemented on a country basis, and that many issues are best addressed as part of a global or regional strategy. Accordingly, the Foreign Assistance Framework includes a separate category to highlight global and regional initiatives, defined as those activities that transcend a single country's borders. Such activities may include trade capacity building, emergency humanitarian assistance, support to regional institutions or multilateral organizations, or research. Certainly, issues such as trafficking and labor issues have a place in specific country programs as well as on a global basis. The Framework allows for both these types of programs to take place within the goal of transformational diplomacy.

SENATOR MENENDEZ: Some NGO's have expressed concern about the indicators that have been developed to measure the success of U.S. funded programs. For example, many of the indicators measure outputs rather than outcomes, the latter of which we believe to be the ultimate goal of USAID projects. Additionally, there is concern that the disease- or project-specific nature of the indicators

may inhibit—and perhaps be detrimental to—critical efforts to integrate services and strengthen systems. Are you planning to address some of these shortcomings of the current indicators?

UNDER SECRETARY FORE: Yes, as part of the review during this pilot year of the reform effort, the Office of the Director of Foreign Assistance has begun to review the purpose and use of the indicators in the Operational Plans. We plan to consult with our development partners over the summer and fall, and will focus both on refinements to the Standard Program Definitions, as well as the indicators.

The initial set of standard indicators includes measures at the activity, sector and strategic levels for each foreign assistance objective. Indicators were developed to track and report on the way that foreign assistance money was being spent by each implementing partner. Missions and headquarter offices were asked to classify each program according to the standard program definitions; and to select indicators that measured the annual outputs and outcomes which were directly attributable to the U.S. Government's (USG) programs, projects and activities.

The standard indicators do not replace the critical performance management systems of the individual posts which measure the results over time of USG programs. These systems recognize the multi-sectoral nature of USG development programs and assess over time the integrated nature of the results being achieved, including for critical system strengthening.

The Office of the Director of Foreign Assistance also measures progress at the country and sector levels. At the strategic level, indicators capture the impact of foreign and host government efforts for the five objectives in the Foreign Assistance Framework, such as Investing in People or Economic Growth. Area level indicators measure a country's performance within sub-sectors of the five functional objectives (such as Health and Education within the Investing in People objective). These indicators necessarily measure results beyond what could be achieved solely by the USG (USG, host country and other donors' activities combined). The data are collected from secondary sources, such as the World Bank, the United Nations Development Program, and Freedom House by staff in Washington. Our intent was to develop a system that would allow us to identify and account for the specific results of USG-funded programs (often necessarily at the output level) as well as evaluate the impact of programs overall.

SENATOR HAGEL: You stated that 80 percent of U.S. foreign assistance is under the direct control of the Director of Foreign Assistance. However, Dr. Radelet testified on the second panel that only 55 percent of U.S. foreign assistance is controlled by State or USAID. Please provide a breakdown of the amounts and percentages of U.S. foreign assistance that are under the direct control of State and/or USAID, under "policy guidance" of State and/or USAID, and not under any type of control of State and/or USAID. How much U.S. foreign assistance is controlled by the Defense Department?

UNDER SECRETARY FORE: Attached please find a summary chart of the FY2008 International Affairs Request, which appears in the

Congressional Budget Justification on pages 12 and 13. Section 1 of the chart, "Department of State and USAID Bilateral Economic Assistance," lists the accounts and programs under the approval authority of the Secretary of State, which amount to approximately 80 percent of the entire Foreign Operations request. The Director of U.S. Foreign Assistance and USAID Administrator has direct approval authority over roughly 60 percent of all foreign assistance in the Foreign Operations request, and has robust coordinating authority over assistance provided under the Global HIV/AIDS (GHAI) and Millennium Challenge Corporation accounts (at which Corporation the Administrator serves on the Board).

The Department of Defense is an important implementing partner of the Department of State, implementing both Foreign Military Financing and International Military Education and Training programs. The Department of Defense also implements programs with foreign partners that are authorized under Defense Authorization Acts using funds appropriated in the Defense Appropriations Acts. Some of those programs provide training and equipment for foreign forces, similar to that provided under the Department of State's foreign assistance authorities. Thus, for example, the Iraq Security Forces Fund and the Afghan Security Forces Fund are used to provide training and equipping to a range of security forces in those countries. Both of these authorities must be exercised with the concurrence of the Secretary of State. In addition, pursuant to Section 1206 of the National Defense Authorization Act, the President is authorized to direct the Departments of Defense and State to jointly develop programs to build the capacity of foreign military forces to be funded from Department of Defense appropriations in an amount up to \$300 million in this fiscal year. Likewise, pursuant to Section 1207 of the same Act, the Departments of State and Defense may concur on the provision of reconstruction and stabilization assistance to be funded through DOD appropriations up to \$100 million per fiscal year. These authorities have proved effective in addressing rapidly evolving security situations. DOD has certain other authorities that they rely upon in specific circumstances to provide assistance to foreign countries in support of their mission, e.g., the Commanders Emergency Response Fund and authorities to respond to humanitarian emergencies.

## FY 2008 INTERNATIONAL AFFAIRS REQUEST

(\$ in thousands)

|  | FY 2006<br>Actual | FY 2007<br>Estimate | FY 2008<br>Request |
|--|-------------------|---------------------|--------------------|
| DEPARTMENT OF STATE, USAID and FOREIGN OPERATIONS (INTERNATIONAL AFFAIRS) .... | 31,389,613        | 29,916,040          | 36,186,518         |
| I. Department of State and USAID Bilateral Economic Assistance .....           | 18,074,969        | 17,713,444          | 20,266,913         |
| Andean Counterdrug Initiative (ACI) .....                                      | 727,155           | 569,350             | 442,812            |
| Assistance for Eastern Europe and the Baltic States (AEEB) .....               | 357,390           | 269,200             | 289,322            |
| Assistance for the Independent States of the Former Soviet Union (FSA) .....   | 508,860           | 435,480             | 351,585            |
| Child Survival & Health Programs Fund (CSH) .....                              | 1,591,425         | 1,518,359           | 1,564,279          |
| Global Fund to Fight AIDS, Tuberculosis, & Malaria .....                       | [247,500]         | [247,500]           | [0]                |
| Development Assistance (DA) .....  | 1,508,760         | 1,508,000           | 1,041,248          |
| Development Credit Authority—Subsidy (DCA) .....                               | [21,000]          | [0]                 | [21,000]           |
| Economic Support Fund (ESF) .....  | 2,616,075         | 2,603,540           | 3,319,567          |
| U.S. Emergency Refugee & Migration Assistance (ERMA) .....                     | 29,700            | 30,000              | 55,000             |
| Foreign Military Financing (FMF) .....   | 4,464,900         | 4,454,900           | 4,536,000          |
| Global HIV/AIDS Initiative (GHA) .....   | 1,975,050         | 1,852,525           | 4,150,000          |
| Global Fund to Fight AIDS, Tuberculosis & Malaria .....                        | [198,000]         | [198,000]           | [0]                |
| International Disaster and Famine Assistance (IDFA) .....                      | 361,350           | 348,800             | 297,300            |
| International Military Education & Training (IMET) .....                       | 85,877            | 85,237              | 89,500             |
| International Narcotics Control and Law Enforcement (INCLE) .....              | 472,428           | 703,600             | 634,600            |
| Migration and Refugee Assistance (MRA) .....                                   | 783,090           | 750,206             | 773,500            |
| Nonproliferation, Anti-Terrorism, Demining (NADR) .....                        | 405,999           | 392,821             | 464,000            |
| Peacekeeping Operations (PKO) .....  | 173,250           | 170,000             | 221,200            |
| P.L. 480 Title II .....  | 1,138,500         | 1,223,100           | 1,219,400          |
| Transition Initiatives (TI) .....  | 39,600            | 40,000              | 37,200             |
| USAID Operating Expenses (OE) .....  | 623,700           | 641,000             | 609,000            |
| Foreign Service Retirement and Disability Fund [Mandatory] .....               | [42,000]          | [38,700]            | [36,400]           |
| USAID Capital Investment Fund (CIF) .....                                      | 69,300            | 75,942              | 126,000            |
| USAID Inspector General Operating Expenses .....                               | 35,640            | 37,915              | 38,000             |
| Development Credit Authority—Administrative Expenses .....                     | 7,920             | 3,469               | 7,400              |

## FY 2008 INTERNATIONAL AFFAIRS REQUEST—Continued

(\$ in thousands)

|   | FY 2006<br>Actual | FY 2007<br>Estimate | FY 2008<br>Request |
|---|-------------------|---------------------|--------------------|
| Democracy Fund  | 94,050            | —                   | —                  |
| Iraq Relief and Reconstruction Fund<br>(IRRF) .....     | 4,950             | —                   | —                  |
| <hr/>   |                   |                     |                    |
| II. Independent Department and Agencies                 |                   |                     |                    |
| Bilateral Assistance .....                              | 3,012,408         | 2,354,024           | 4,373,509          |
| <hr/>   |                   |                     |                    |
| African Development Foundation (ADF) ....               | 22,770            | 22,225              | 30,000             |
| Broadcasting Board of Governors                         |                   |                     |                    |
| International Broadcasting Operations                   | 633,257           | 636,060             | 618,777            |
| Broadcasting to Cuba .....                              | —                 | —                   | 38,700             |
| Broadcasting Capital Improvements ....                  | 10,754            | 7,624               | 10,748             |
| Subtotal, Broadcasting Board of<br>Governors .....      | 644,011           | 643,684             | 668,225            |
| Department of Agriculture                               |                   |                     |                    |
| McGovern-Dole International Food for<br>Education ..... | 99,000            | 98,260              | 100,000            |
| Department of the Treasury                              |                   |                     |                    |
| Treasury Technical Assistance .....                     | 19,800            | 23,700              | 24,800             |
| Debt Restructuring .....                                | 64,350            | 20,000              | 207,300            |
| Subtotal, Department of the Treas-<br>ury .....         | 84,150            | 43,700              | 232,100            |
| Export-Import Bank                                      |                   |                     |                    |
| Loan Subsidy .....                                      | 74,000            | 26,382              | 68,000             |
| Administrative Expenses .....                           | 72,468            | 69,234              | 78,000             |
| Inspector General .....                                 | 990               | —                   | 1,000              |
| Direct Loans, Negative Subsidy .....                    | -50,000           | -45,000             | —                  |
| Offsetting Collections .....                            | —                 | —                   | -146,000           |
| Subtotal, Export-Import Bank .....                      | 97,458            | 50,616              | 1,000              |
| Foreign Claims Settlement Commission ...                | 1,303             | 1,417               | 1,684              |
| Inter-American Foundation (IAF) .....                   | 19,305            | 19,268              | 19,000             |
| International Trade Commission (ITC) .....              | 61,951            | 62,575              | 67,100             |
| Millennium Challenge Corporation (MCC)                  | 1,752,300         | 1,135,000           | 3,000,000          |
| Overseas Private Investment Corporation<br>(OPIC)       |                   |                     |                    |
| Administrative Expenses .....                           | 41,851            | 41,856              | 47,500             |
| Net Offsetting Collections .....                        | -223,000          | -175,279            | -236,000           |
| Credit Subsidy .....                                    | 20,073            | 9,423               | 29,000             |
| Net Negative Budget Authority, OPIC                     | -161,076          | -124,000            | -159,500           |
| Peace Corps .....                                       | 318,780           | 324,000             | 333,500            |
| Trade and Development Agency (TDA) .....                | 50,391            | 50,300              | 50,400             |
| United States Institute of Peace .....                  | 22,065            | 26,979              | 30,000             |
| <hr/>   |                   |                     |                    |
| III. Multilateral Economic Assistance .....             | 1,581,124         | 1,392,361           | 1,788,350          |
| <hr/>   |                   |                     |                    |
| International Financial Institutions .....              | 1,277,236         | 1,066,198           | 1,498,950          |
| Global Environment Facility .....                       | 79,200            | 56,250              | 106,763            |
| International Development Association                   | 940,500           | 752,400             | 1,060,000          |

## FY 2008 INTERNATIONAL AFFAIRS REQUEST—Continued

(\$ in thousands)

|  | FY 2006<br>Actual | FY 2007<br>Estimate | FY 2008<br>Request |
|--|-------------------|---------------------|--------------------|
| Multilateral Investment Guarantee Agency .....                 | 1,287             | 1,288               | 1,082              |
| Asian Development Fund .....                                   | 99,000            | 99,000              | 133,906            |
| African Development Fund .....                                 | 134,343           | 134,343             | 140,584            |
| African Development Bank .....                                 | 3,602             | 3,613               | 2,037              |
| European Bank for Reconstruction & Development .....           | 1,006             | 1,006               | 10                 |
| Enterprise for the Americas Multilateral Investment Fund ..... | 1,724             | 1,724               | 29,232             |
| Inter-American Investment Corporation .....                    | 1,724             | 1,724               | 7,264              |
| International Fund for Agricultural Development .....          | 14,850            | 14,850              | 18,072             |
| Arrears .....  | [5,453]           | [4,018]             | [175,000]          |
| International Organizations & Programs (IO&P) .....            | 303,888           | 326,163             | 289,400            |
| IV. Department of State Operations and Related Programs .....  | 8,721,112         | 8,456,211           | 9,757,746          |
| State Administration of Foreign Affairs ....                   | 6,434,123         | 6,238,058           | 7,194,596          |
| State Programs .....   | 4,421,359         | 4,561,170           | 5,013,443          |
| Diplomatic and Consular Programs .....                         | 4,294,734         | 4,460,084           | 4,942,700          |
| Ongoing Operations .....                                       | 3,614,018         | 3,664,914           | 3,977,940          |
| Worldwide Security Upgrades .....                              | 680,716           | 795,170             | 964,760            |
| Capital Investment Fund .....                                  | 58,143            | 34,319              | 70,743             |
| Centralized IT Modernization Program .....                     | 68,482            | 66,767              | —                  |

JULY 24, 2007.—QUESTIONS FOR UNDER SECRETARY HENRIETTA FORE

SENATOR LUGAR: We should expect to see some shifting of funding as countries develop and can begin to take responsibility for pockets of extreme poverty that may still exist despite economic progress. U.S. foreign assistance cannot be seen by recipient countries or those working in them as an entitlement and it would be good to see more not fewer graduates. How do you judge when a country is ready to “graduate” from U.S. assistance? As funding has increased to the Middle East and Africa, for example, some funding to individual countries in Latin America and Europe and Eurasia has decreased. Is this a function of a finite budget or has a conclusion been reached that the countries with aid cuts in these regions are graduating from U.S. foreign assistance?

UNDER SECRETARY FORE: We closely monitor the composition and type of U.S. assistance provided to ensure it is carefully matched to a country’s needs and our shared interests. “Graduation” should

be viewed in the context of becoming, to use the terminology in the Foreign Assistance Framework, a Sustaining Partner country. For example, Slovenia is a “Sustaining Partner” country where U.S. assistance is provided to support NATO interoperability and to help position Slovenia to participate in international peacekeeping missions. But, since Slovenia performs well against the economic and democratic measures we monitor, it does not need and does not receive substantial foreign assistance. South Africa is another example. Despite 28 successive quarters of economic growth and well-developed financial, legal and transport systems, South Africa has been unable to realize fully its capacity, due largely to a range of social issues (most prominently, high rates of HIV/AIDS). Our assistance to this Sustaining Partner is therefore targeted to that specific obstacle to success, with the largest proportion of U.S. funds directed to combat HIV/AIDS and tuberculosis.

In Europe and Eurasia, development assistance is provided under the Support for Eastern European Democracy (SEED) Act and FREEDOM Support Act (FSA), which address the transition goals of helping post-Communist states become stable, market-oriented democracies. While some of the decline in development assistance funding for Europe and Eurasia can be attributed to critical needs in other regions of the world, more notably, we are also able to lower SEED and FSA assistance to the region due to the success of sustained efforts since 1989. Eleven SEED countries have graduated from dependence on development assistance, and now only receive security assistance (Foreign Military Financing and International Military Education Training). Of these, ten have joined the European Union (EU) and North Atlantic Treaty Organization (NATO), and the only exception, Croatia, is on track to join both organizations. The remaining six SEED recipients appear headed toward eventual NATO and EU accession, although it may take a decade or more in some cases. SEED programs are directed toward joining these Euro-Atlantic institutions, which will go hand in hand with graduation from U.S. assistance. In Eurasia, FSA assistance has played a substantial role in supporting reform, dramatically illustrated by the democratic breakthroughs in 2003-2005. For Russia, Kazakhstan, and Azerbaijan, U.S. funding has been reduced in acknowledgement of the increasing energy wealth these countries can bring to bear in addressing their development challenges. Nevertheless, progress across Eurasia has been uneven and a number of difficult challenges remain to completing FSA’s transition goals, most notably in democratic reform, that will necessitate the continuation of development assistance to the region for the foreseeable future.

Similarly, in the Western Hemisphere region, of 26 bilateral country programs in Latin America, over half (14) are either in the Transforming or Sustaining Partnership categories. Using a strategic country based approach, we gave priority to key anchor states in the region—notably Colombia and Haiti—where strategic and development interests are most salient. Colombia, Haiti, Peru, Bolivia, and Ecuador account for more than 71 percent of the U.S. assistance resources request for the Western Hemisphere in FY 2008.

In short, a range of factors affects graduation, as well as the degree and timing of graduation, and the concomitant shifting of U.S. foreign assistance recourses.

There is no doubt that we are working in a constrained budget environment. Tough choices have to be made and fair and appropriate rationales were developed for making those choices.

SENATOR LUGAR: In your testimony you note that in 1980 there were approximately 4,000 direct hires in the USAID workforce; today there are 2,000. Please provide for the record the number of direct hires at each USAID bilateral mission. It would also be useful to note the number of Personal Service Contracts personnel working at these same missions. Finally, please provide the dollar value currently managed by each mission.

#### Foreign Assistance Project Workforce Assignments

| Region | Organization Unit                         | Total FY 08<br>CBJ Program<br>Funding<br>\$(000) | FSO<br>9/30/06 | PSCs/Other<br>9/30/06 |
|--------|---|--|----------------|-----------------------|
|        | Total .....                               | 10,613,910                                       | 755.0          | 530.0                 |
| AFR    | Angola .....                              | 25,786   | 4              | 0                     |
|        | Benin .....                               | 10,360   | 4              | 2                     |
|        | Botswana (RCSA) .....                     | 79,000   | 13             | 10                    |
|        | Burkina Faso .....                        | 4,675  | 0              | 0                     |
|        | Burundi .....                             | 27,977   | 0              | 0                     |
|        | Cameroon .....                            | 1,000  | 0              | 0                     |
|        | Cape Verde .....                          | —  | 0              | 0                     |
|        | Chad .....                                | 5,200  | 0              | 0                     |
|        | Comoros .....                             | —  | 0              | 0                     |
|        | Cote d'Ivoire .....                       | 96,000   | 0              | 0                     |
|        | Democratic Republic of the<br>Congo ..... | 71,088   | 7              | 7                     |
|        | Djibouti .....                            | 3,240  | 0              | 0                     |
|        | Equatorial Guinea .....                   | —  | 0              | 0                     |
|        | Ethiopia .....                            | 443,346  | 16             | 8                     |
|        | Gabon .....                               | —  | 0              | 0                     |
|        | Gambia .....                              | —  | 0              | 0                     |
|        | Ghana .....                               | 38,994   | 15             | 9                     |
|        | Guinea .....                              | 13,969   | 5              | 7                     |
|        | Guinea Bissau .....                       | 600  | 0              | 0                     |
|        | Kenya .....                               | 489,124  | 9              | 12                    |
|        | KENYA (REDSO — ESA) .....                 | 24,320   | 17             | 19                    |
|        | Lesotho .....                             | 7,500  | 0              | 0                     |
|        | Liberia .....                             | 90,838   | 5              | 1                     |
|        | Madagascar .....                          | 32,213   | 5              | 5                     |
|        | Malawi .....                              | 59,277   | 10             | 6                     |
|        | Mali .....                                | 28,399   | 11             | 4                     |
|        | Mauritania .....                          | 6,520  | 0              | 0                     |
|        | Mauritius .....                           | 190  | 0              | 0                     |
|        | Mozambique .....                          | 271,180  | 13             | 7                     |
|        | Namibia .....                             | 92,775   | 5              | 4                     |

## Foreign Assistance Project Workforce Assignments—Continued

| Region | Organization Unit                             | Total FY 08<br>CBJ Program<br>Funding<br>\$(000) | FSO<br>9/30/06 | PSCs/Other<br>9/30/06 |   |
|--------|---|--|----------------|-----------------------|---|
| AFR    | Niger .....                                   | 18,405   | 0              | 0                     |   |
|        | Nigeria .....                                 | 509,770  | 16             | 8                     |   |
|        | Rwanda .....                                  | 120,530  | 7              | 7                     |   |
|        | Sao Tome .....                                | —  | 0              | 0                     |   |
|        | Senegal .....                                 | 33,303   | 12             | 5                     |   |
|        | Seychelles .....                              | —  | 0              | 0                     |   |
|        | Sierra Leone .....                            | 15,983   | 0              | 0                     |   |
|        | Somalia .....                                 | 10,000   | 0              | 0                     |   |
|        | South Africa .....                            | 533,809  | 22             | 9                     |   |
|        | Sudan .....                                   | 600,913  | 12             | 3                     |   |
|        | Swaziland .....                               | 7,500  | 0              | 0                     |   |
|        | Tanzania .....                                | 256,604  | 14             | 4                     |   |
|        | Togo .....                                    | 120  | 0              | 0                     |   |
|        | Uganda .....                                  | 312,138  | 13             | 16                    |   |
|        | West African Regional Program<br>(WARP) ..... | 40,100   | 5              | 15                    |   |
|        | Zambia .....                                  | 315,409  | 10             | 5                     |   |
|        | Zimbabwe .....                                | 21,010   | 7              | 4                     |   |
| ANE    | Afghanistan .....                             | 1,106,513  | 26             | 51                    |   |
|        | Bangladesh .....                              | 106,218  | 15             | 8                     |   |
|        | Burma .....                                   | 4,630  | 0              | 0                     |   |
|        | Cambodia .....                                | 37,421   | 8              | 7                     |   |
|        | China .....                                   | 9,290  | 0              | 0                     |   |
|        | East Timor .....                              | 8,640  | 2              | 2                     |   |
|        | Egypt .....                                   | 415,000  | 29             | 17                    |   |
|        | India .....                                   | 71,005   | 17             | 8                     |   |
|        | Indonesia .....                               | 152,083  | 27             | 7                     |   |
|        | Iraq .....                                    | 1,070,000  | 19             | 20                    |   |
|        | Israel .....                                  | —  | 0              | 0                     |   |
|        | Jordan .....                                  | 284,751  | 16             | 6                     |   |
|        | Laos .....                                    | 1,521  | 0              | 0                     |   |
|        | Lebanon .....                                 | 40,688   | 1              | 0                     |   |
|        | Mongolia .....                                | 6,200  | 2              | 1                     |   |
|        | Morocco .....                                 | 21,500   | 3              | 4                     |   |
|        | Nepal .....                                   | 20,636   | 7              | 10                    |   |
|        | Pakistan .....                                | 440,418  | 11             | 2                     |   |
|        | Philippines .....                             | 66,106   | 16             | 6                     |   |
|        | Regional Development Mission<br>— Asia .....  | 20,400   | 15             | 16                    |   |
|        | Sri Lanka .....                               | 1,703  | 4              | 8                     |   |
|        | Thailand .....                                | 1,040  | 0              | 0                     |   |
|        | Vietnam .....                                 | 93,400   | 0              | 0                     |   |
|        | West Bank and Gaza .....                      | 73,500   | 18             | 10                    |   |
|        | Yemen .....                                   | 12,833   | 2              | 0                     |   |
|        | E&E   | Albania .....                                    | 15,865         | 4                     | 8 |

## Foreign Assistance Project Workforce Assignments—Continued

| Region                          | Organization Unit            | Total FY 08<br>CBI Program<br>Funding<br>\$(000) | FSO<br>9/30/06 | PSCs/Other<br>9/30/06 |
|---------------------------------|------------------------------|--|----------------|-----------------------|
| E&E                             | Armenia .....                | 34,965   | 6              | 8                     |
|                                 | Azerbaijan .....             | 17,698   | 0              | 0                     |
|                                 | Belarus .....                | 9,999  | 0              | 0                     |
|                                 | Bosnia and Herzegovina ..... | 22,900   | 5              | 5                     |
|                                 | Bulgaria .....               | —  | 3              | 3                     |
|                                 | Croatia .....                | —  | 2              | 3                     |
|                                 | Cyprus .....                 | 11,000   | 1              | 0                     |
|                                 | Georgia .....                | 50,381   | 13             | 10                    |
|                                 | Hungary (RSC) .....          | 21,204   | 7              | 12                    |
|                                 | Ireland .....                | 1,000  | 0              | 0                     |
|                                 | Kazakhstan (CAR) .....       | 14,397   | 21             | 14                    |
|                                 | Kosevo .....                 | 151,246  | 4              | 4                     |
|                                 | Kyrgyzstan .....             | 23,790   | 0              | 0                     |
|                                 | Macedonia .....              | 18,665   | 5              | 6                     |
|                                 | Moldova .....                | 11,814   | 0              | 0                     |
|                                 | Montenegro .....             | 7,572  | 0              | 0                     |
|                                 | Poland .....                 | —  | 0              | 0                     |
|                                 | Romania .....                | —  | 5              | 3                     |
|                                 | Russia .....                 | 49,872   | 19             | 4                     |
|                                 | Serbia .....                 | 51,300   | 6              | 11                    |
|                                 | Slovakia .....               | —  | 0              | 0                     |
|                                 | Tajikistan .....             | 26,880   | 0              | 0                     |
|                                 | Turkey .....                 | 850  | 0              | 0                     |
|                                 | Turkmenistan .....           | 5,466  | 0              | 0                     |
|                                 | Ukraine .....                | 70,430   | 20             | 4                     |
|                                 | Uzbekistan .....             | 8,460  | 0              | 0                     |
|                                 | LAC                          | Argentina .....                                  | —              | 0                     |
| Belize .....                    |                              | 200  | 0              | 0                     |
| Bolivia .....                   |                              | 106,745  | 10             | 3                     |
| Brazil .....                    |                              | 2,947  | 2              | 2                     |
| Caribbean Regional Program .... |                              | 9,062  | 0              | 0                     |
| Central America Regional .....  |                              | 10,700   | 0              | 0                     |
| Program .....                   |                              | —  | 0              | 0                     |
| Chile .....                     |                              | —  | 0              | 0                     |
| Colombia .....                  |                              | 506,468  | 10             | 9                     |
| Costa Rica .....                |                              | —  | 0              | 0                     |
| Cuba .....                      |                              | 45,700   | 0              | 0                     |
| Dominican Republic .....        |                              | 28,542   | 13             | 4                     |
| Ecuador .....                   |                              | 19,988   | 4              | 5                     |
| El Salvador .....               |                              | 17,449   | 15             | 5                     |
| Guatemala .....                 |                              | 43,826   | 11             | 4                     |
| Guyana .....                    |                              | 23,393   | 1              | 3                     |
| Haiti .....                     |                              | 203,196  | 15             | 7                     |
| Honduras .....                  |                              | 35,149   | 10             | 6                     |
| Jamaica .....                   |                              | 8,536  | 9              | 8                     |
| Mexico .....                    |                              | 14,768   | 4              | 10                    |
| Nicaragua .....                 | 25,579                       | 9  | 3              |                       |

## Foreign Assistance Project Workforce Assignments—Continued

| Region | Organization Unit            | Total FY 08<br>CBI Program<br>Funding<br>\$(000) | FSO<br>9/30/06 | PSCs/Other<br>9/30/06 |
|--------|------------------------------|--|----------------|-----------------------|
| LAC    | Panama .....                 | 976  | 2              | 0                     |
|        | Paraguay .....               | 5,985  | 3              | 0                     |
|        | Peru .....                   | 89,786   | 21             | 6                     |
|        | South America Regional ..... | 1,500  | 0              | 0                     |
|        | Uruguay .....                | —  | 0              | 0                     |
|        | Venezuela .....              | 3,000  | 0              | 0                     |
| AFR    | SUMMARY .....                | 4,719,164  | 257            | 177                   |
| ANE    | SUMMARY .....                | 4,065,496  | 238            | 183                   |
| E&E    | SUMMARY .....                | 625,755  | 121            | 95                    |
| LAC    | SUMMARY .....                | 1,203,495  | 139            | 75                    |

UNDER SECRETARY FORE: The attached table contains the information on the staffing levels for each country by the categories requested with the information verified for the end of September 2006. USAID is in the process of converting to a new comprehensive personnel tracking system for each country by all each employee type. The country disaggregated data will be available shortly. The dollars managed are for the FY 2008 Congressional Budget Justification levels broken out by country, and include not only funds appropriated to USAID, but funds managed by USAID on behalf of MCC, PEPFAR, the State and Agriculture Departments and other Agencies of the U.S. Government.

CHAIRMAN BIDEN: I understand that AID mission staff have observed that the F process reduces their flexibility to transfer funds from one activity to another without the USAID Administrator's approval. Previously, such decisions could be made by the USAID Mission Director. Why is this level of oversight needed?

UNDER SECRETARY FORE: In my time as Acting Administrator, I have worked to ensure that we are respecting long standing criteria regarding levels and amounts for programs and activities that can be transferred by the field without further approval from the Office of the Director of U.S. Foreign Assistance. I have done this to make certain that the appropriate balance between the field and Washington is maintained.

The important balance I refer to is the one between ensuring fiscal integrity and accountability of taxpayer funds and overall coherence of foreign assistance programming while permitting the field to respond rapidly to programming needs especially near the end of the fiscal year. Many USAID programs are subject to cross-cutting earmarks and the independent decisions of Mission Directors moving funds can result in our inability to fund programs at earmarked levels. That said, we are working to provide Mission Directors with sufficient flexibility to reprogram funds to address the realities in the field while ensuring our ability to meet Congressional and administration priorities.

CHAIRMAN BIDEN: How do you plan to coordinate foreign aid programs outside the DFA's jurisdiction, such as the Millennium Challenge Corporation and the Coordinator for the President's Emergency Plan for AIDS Relief (PEPFAR)? To what degree will State and USAID programs complement MCC and PEPFAR programs?

UNDER SECRETARY FORE: The Office of the Director of U.S. Foreign Assistance provides coordination and guidance to all foreign assistance delivered through all agencies and entities of the U.S. Government (USG) through the Operational Plan process. Operational Plans provide a comprehensive, interagency picture of all foreign assistance resources planned for implementation in-country and the utilization of those resources in support of transformational diplomacy. Developed by the Country Team under the leadership of the Ambassador, the Operational Plans ensure that all U.S. foreign assistance resources in that country are coordinated, appropriately linked to foreign policy objectives, and supportive of an integrated country strategy. They strengthen the link between funding, activities, and results and collect standardized data about foreign assistance programs. In FY2008, all recipient countries will complete Operational Plans. In FY2007, our pilot year, a total of 67 countries submitted integrated Operational Plans.

As you know, the U.S. Leadership Against HIV/AIDS, Tuberculosis, and Malaria Act (P.L. 108-25), enacted in 2003, provides the U.S. Global AIDS Coordinator with primary responsibility for the oversight and coordination of all resources and activities of the USG to combat the HIV/AIDS pandemic. The Director of U.S. Foreign Assistance was subsequently established by the Secretary to make every effort within existing statutory authority to ensure that U.S. assistance writ large was programmed in support of our foreign policy goals. The Director's responsibilities accordingly include providing overall coordination and guidance to U.S. foreign assistance delivered through other agencies and entities of the USG, including the Office of U.S. the Global AIDS Coordinator.

The Millennium Challenge Act of 2003 established the Millennium Challenge Corporation (MCC) (Sec. 604) as an independent entity with its own Board of Directors. The Secretary of State and the Administrator of USAID sit on that Board. In addition to the Secretary's authorities as a member of the MCC Board, the Foreign Assistance Act directs that the Secretary of State shall be responsible for the continuous supervision and general direction of economic assistance to ensure that such programs are integrated and the foreign policy of the United States is best served. In building the FY 2009 budget, therefore, we are receiving input from MCC about projected expenditures in countries in which we are working. In MCC threshold and compact countries, teams considered proposed USG resources in light of the specific gaps and obstacles impeding country progress, as well as how best to coordinate these resources in such a way as to both facilitate the success of MCC programs and to amplify results. For example, in the FY 2008 request for Ghana, we shifted funds to enhance the capacity of local government as the responsible party for implementing the MCC compact program. In El Salvador, State/USAID funds increased for programs to strengthen specific obstacles impeding country

progress—the rule of law and justice sector, and other programs to address gang-related violence. In Honduras, economic growth funds actually increased overall, particularly in trade and investment and private sector competitiveness to complement MCC program.

CHAIRMAN BIDEN: What do you think is an appropriate division of labor between the U.S. military and civilian agencies, particularly USAID, in development activities? Under what circumstances, if any, do you think that the U.S. military should take the lead in economic and political development activities? What sorts of mechanisms are there to coordinate activities where the U.S. military and USAID are involved? What further mechanisms might be useful? Do you believe DOD will, or should, maintain a role in foreign assistance after the completion of military action?

UNDER SECRETARY FORE: Wherever possible, U.S. development assistance should be carried out by civilian agencies. But exceptions to this rule can and do arise, as we are witnessing in Afghanistan and Iraq. Where there is active combat, or in extremely insecure environments, the security situation may not permit the exclusive deployment of civilian personnel. In these highly threatening environments, the presence of civilians depends on adequate force protection (provided by the military or by private security contractors) to enable their work on the ground. The support systems required to effectively staff missions, and meet the personal security requirements of our officers in hostile environments, is a significant strain on USAID resources.

The unique division of labor between civilian-led and military-assisted missions (or vice versa) is often environmentally dependent. The greater the threat of violent conflict or armed hostilities, the higher the likelihood that the military will have a role to play in ensuring economic and political stability. As we move along the continuum of conflict, from hostile to permissive environments, the military may play a less significant role. With relatively limited human resources, in proportion to the scope of the stabilizing mission we are pursuing in many of these insecure countries, whenever practicable civilian agencies have opted to yield operational control to the military in areas beyond our reach, while either continuing to maintain or enhancing intellectual control of the development space.

In those circumstances where the civilian agencies are significantly stretched by the human and financial requirements of operating in high-threat environments, the military may take on additional responsibilities to facilitate economic and political development.

In hostile environments, USAID staff often serve alongside military personnel on integrated civil-military platforms such as the Provincial Reconstruction Team (PRT) construct in Afghanistan and Iraq. In concept, these constructs allow for synchronization of civilian and military activities. Synchronizing various quick impact resource streams, such as DOD's Commanders Emergency Response Program (CERP) funds and USAID's quick impact funds to further security, economic, and political goals is one example of successful civil-military coordination. At a minimum, USAID officers seek to ensure that military-led and resourced activities are

conceived and implemented in a way that furthers the country's economic and social development, and that the activities are aligned with and complement national development strategies. The transferability or sustainability of CERP-like funds as control begins to shift from military to civilian leadership and control is an ongoing challenge.

There is an emerging institutionalization of collaboration frameworks in the U.S. Government. USAID has begun working with the various regional Combatant Commands to develop a system for synchronizing their respective Theater Security Cooperation Plans with USAID's Operational Plans.

What we could practically use now is a new framework that dictates civilian-military coordination of all foreign assistance engagements from the national to the tactical level. Theater Security Cooperation Guidance and Foreign Assistance Guidance should be published and promulgated simultaneously. Country Plans and Theater Security Cooperation Plans should be produced and executed in concert. In the field, activity coordination is orchestrated by the Country Team, chaired by the Ambassador. The EUCOM initiated Trans-Sahel Counter-terrorism Partnership is one recent example of such cooperation and collaboration which will eventually lead to a better understanding of each others' planning systems and procedures.

As you know, we now have an office within USAID, staffed with Foreign Service Officers and Military Liaison Officers, with a mission to institutionalize the USAID-DOD relationship through formalized training and education programs and collaborative policy development that will ultimately lead to a process that mitigates the current challenges to unified planning and implementation.

USAID has developed Memoranda of Understanding governing the placement of USAID Senior Development Advisors in the U.S. Central Command, Special Operations Command and European Command, and memoranda with other Combatant Commands are currently being negotiated. Four Combatant Commands have placed Military Liaison Officers with USAID as well. These officer exchanges have proven invaluable in coordinating civilian-military activities, training and joint planning exercises.

Once military objectives have been achieved in a given conflict, we believe that DOD should continue to support and sustain foreign assistance efforts in whichever way may be appropriate, to include the development of a civilian-controlled security sector. These activities however should be limited to the security sector and should not expand into traditional civilian development activities. But adequacy of funding on the civilian side remains a challenge.

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## Appendix II

### FRAMEWORK FOR FOREIGN ASSISTANCE: COUNTRY CATEGORIES AND OBJECTIVES<sup>1</sup>

| Objective                  | Country Category Focus              | Program Focus  | Accounts   |
|----------------------------|-------------------------------------|--|--|
| Peace & Security           | Rebuilding/Sustaining Partners.     | Terrorism, Stabilization, Defense Reform, Drugs, Crime, Conflict Mitigation. | FMF, TI, IMET, ESF, INCLE, NADR, PKO, ACI, FSA, SEED |
| Governing Justly/Democracy | Rebuilding/Restrictive.             | Rule of Law, Human Rights, Governance, Civil Society.                        | DA, TI, SEED, FSA, DF, ESF, INCLE, ACI               |
| Investing in People        | Developing/Transforming.            | Health, Education, Vulnerable Populations.                                   | DA, CSH, ESF, IDFA, GHAI, PL 480                     |
| Economic Growth            | Transforming/Rebuilding/Developing. | Trade, Agriculture, Infrastructure, Environment, Micro-enterprise.           | DA, ESF, SEED, FSA, ACI, PL 480                      |
| Humanitarian Assistance    | Rebuilding/Restrictive Global.      | Migration, Refugees, Disasters.  | IDFA, MRA, ERMA, PL 480                              |

#### FOREIGN AID COUNTRY CATEGORIES

**Rebuilding:** Countries in or emerging from internal or external conflict.

Afghanistan, Colombia, Cote d'Ivoire, Democratic Republic of the Congo, Haiti, Iraq, Kosovo, Lebanon, Liberia, Nepal, Sierra Leone, Somalia, Sudan

<sup>1</sup> Provided by Congressional Research Service

**Transforming:** Low or lower-middle income, meeting performance criteria.

Benin, Bolivia, Brazil, Bulgaria, East Timor, El Salvador, Gambia, Ghana, Honduras, India, Lesotho, Madagascar, Mali, Mongolia, Mozambique, Namibia, Nicaragua, Philippines, Samoa, Sri Lanka, Tanzania, Thailand, Uruguay, Vanuatu

**Sustaining Partnership:** Upper-middle income, aid sustains partnerships.

Argentina, Bahamas, Bahrain, Belize, Botswana, Chile, Costa, Rica, Croatia, Cyprus, Czech Republic, Eastern Caribbean, Equatorial Guinea, Estonia, Gabon, Greece, Hungary, Ireland, Israel, Kuwait, Latvia, Marshall Islands, Mauritius, Mexico, Oman, Panama, Poland, Portugal, Qatar, Russia, Saudi Arabia, Seychelles, Singapore, Slovakia, Slovenia, South Africa, Taiwan, Trinidad & Tobago, Turkey, United Arab Emirates

**Developing:** Low or lower-middle income, not yet meeting performance criteria.

Albania, Algeria, Angola, Armenia, Azerbaijan, Bangladesh, Bosnia and Herzegovina, Burkina Faso, Burundi, Cambodia, Cameroon, Cape Verde, Central African Republic, Chad, Comoros, Djibouti, Dominican Republic, Ecuador, Egypt, Ethiopia, Fiji, Georgia, Guatemala, Guinea, Guinea-Bissau, Guyana, Indonesia, Jamaica, Jordan, Kazakhstan, Kenya, Kyrgyz Republic, Laos, Macedonia, Malawi, Maldives, Mauritania, Moldova, Montenegro, Morocco, Niger, Nigeria, Pakistan, Papua New Guinea, Paraguay, Peru, Republic of the Congo, Romania, Senegal, Serbia, Solomon Islands, Suriname, Swaziland, Tajikistan, Togo, Tonga, Tunisia, Turkmenistan, Uganda, Ukraine, Uzbekistan, Vietnam, Yemen, Zambia

**Restrictive:** Significant freedom and human rights issues; legislative and/or Secretarial-designated limitations on assistance.

The Restrictive country category includes those countries that have restrictions on the receipt of U.S. assistance either by statute or Secretarial determination. The State Department does not provide a list of restrictive countries, although the FY08 Foreign Operations Congressional Budget Justification lists certain countries with no categorization: Belarus; Burma; China; Cuba; Iran; Libya; North Korea; Venezuela; West Bank and Gaza; and Zimbabwe.

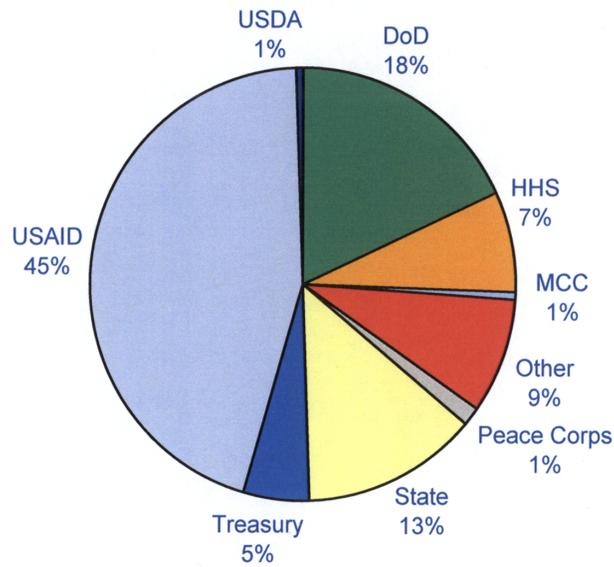
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## Appendix III

### Distribution of US ODA by Agency CY2006 Net Disbursements

Reported in \$US Millions

**Bilateral and Multilateral  
\$23,532**

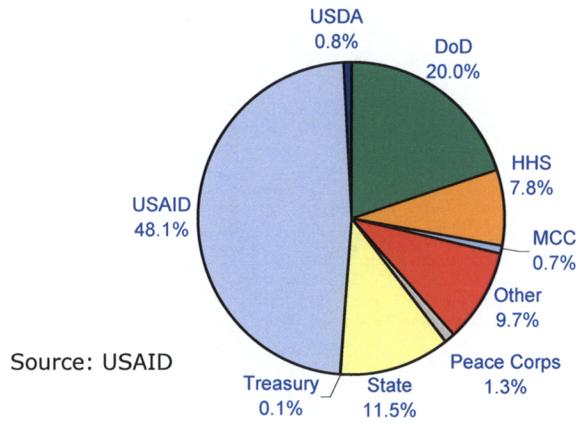


Source: USAID

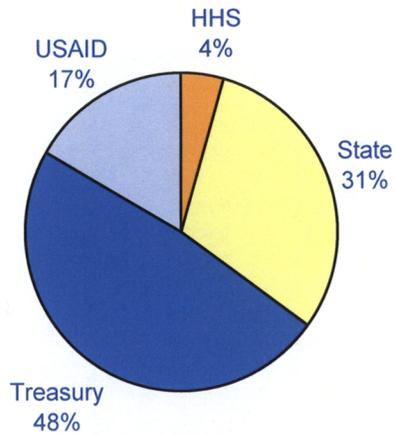
## Distribution of US ODA by Agency CY2006 Net Disbursements

Reported in \$US Millions

### Bilateral Only 21,162



### Multilateral Only \$2,370



## Appendix IV

### REPORTS PREPARED BY EMBASSY STAFFS

Upon request, one embassy compiled a one-year snapshot of the time and staffing needed to prepare reports required by headquarters or by Congress. The following table was submitted by Embassy Maputo to illustrate its workload in preparing such reports. The post in Mozambique has a 308-person staff, including 242 employees hired locally, and is considered a medium-size embassy. According to the embassy, the reports require staff to collect and analyze a broad range of information on a number of different topics from a variety of different country sources. The reports vary in size. Several are hundreds of pages and one exceeded a thousand pages. Report preparation obviously reduces time available for such other embassy activities as staff interaction with host country nationals, U.S. development partners, and other international donors. The table illustrates at least one reason why additional reporting requirements are resisted at post.

#### Reporting Requirements and Associated Staff/Workload

| Type of Report                                    | Number of Staff Involved | Number of Work Days to Complete Report |
|---|--------------------------|--|
| DEPARTMENT OF STATE (EMBASSY-WIDE)                |                          |  |
| Mission Strategic Plan .....                      | 15                       | 12                                     |
| Operational Plan—Performance Report .....         | 15                       | 55                                     |
| Operational Plan—Fiscal Year Planning .....       | 15                       | 65                                     |
| DEPARTMENT OF STATE (ECONOMIC/COMMERCIAL SECTION) |                          |  |
| Human Rights Report .....                         | 5                        | 20                                     |
| Trafficking in Persons Report .....               | 5                        | 15                                     |
| International Religious Freedom Report .....      | 5                        | 7                                      |
| Worst Forms of Child Labor Report .....           | 5                        | 7                                      |
| International Narcotics Strategy Report .....     | 5                        | 7                                      |
| International Narcotics Strategy Report II .....  | 5                        | 7                                      |
| Country Commercial Guide .....                    | 5                        | 12                                     |
| AGOA Eligibility Report .....                     | 5                        | 5                                      |
| 527 Report (Investment Disputes Report) .....     | 5                        | 2                                      |
| AGOA—President's Report .....                     | 5                        | 3                                      |
| Investment Climate Statement .....                | 5                        | 4                                      |

## Reporting Requirements and Associated Staff/Workload—Continued

| Type of Report   | Number of Staff Involved | Number of Work Days to Complete Report |
|--|--------------------------|--|
| USITC Information Requests/sector reports (various) .....  | 5                        | 1-2                                    |
| 957 Report .....   | 5                        | 1                                      |
| DEPARTMENT OF STATE (MANAGEMENT/ADMINISTRATIVE SECTION)  |                          |  |
| Chief of Mission Statement .....   | 5                        | 2                                      |
| Mission Strategic Plan (MSP) (Administrative Section time/resources) .....   | 20                       | 14                                     |
| Input into Other Post Strategic Plans (Foreign Assistance Plan, Operational Plan, Country Operational Plan, Mission Operation Plan for other Foreign Assistance) ..... | 5                        | 6                                      |
| Post Report .....  | 2                        | 2                                      |
| Staffing Pattern Report .....  | 1                        | 2                                      |
| Post Profile .....   | 1                        | 2                                      |
| Education Allowance Report .....   | 1                        | 0.5                                    |
| Overseas Childcare Report .....  | 1                        | 10                                     |
| Family Member Employment Report .....  | 1                        | 10                                     |
| Office of Overseas School Summary Information Report .....   | 1                        | 10                                     |
| CLO Activity Report .....  | 1                        | 2                                      |
| Retail Price Schedule .....  | 1                        | 5                                      |
| Cost of Living Allowance Survey .....  | 2                        | 20                                     |
| Inventory Report of Expendable and Non-Expendable Supplies .....   | 1                        | ongoing                                |
| Real Estate Report .....   | 1                        | ongoing                                |
| Vehicle Report .....   | 1                        | 5                                      |
| Prompt Pay Act Reporting & Certification .....   | 3                        | 2                                      |
| Certification of Unliquidated Obligations .....  | 5                        | 3                                      |
| Procurement Activities Reporting .....   | 1                        | ongoing                                |
| Right-sizing Reports .....   | 10                       | 6                                      |
| Monthly Medical Statistics Reports .....   | 1                        | 1                                      |
| Monthly Medical Utilization Review .....   | 1                        | 0.5                                    |
| USAID  |                          |  |
| Operational Plan—Performance Report (USAID time/resources) .....   | 38                       | 55                                     |
| Operational Plan—Fiscal Year Planning (USAID time/resources) .....   | 38                       | 65                                     |
| Performance and Accountability Report .....  | 11                       | 10                                     |
| Environmental Compliance Report .....  | 5                        | 4                                      |
| Disability Report .....  | 2                        | 3                                      |
| Global Development Alliances Report .....  | 8                        | 2                                      |
| Initiative to End Hunger for African Report .....  | 11                       | 15                                     |
| Evaluation List Report .....   | 5                        | 3                                      |
| Closeout Report .....  | 15                       | 25                                     |
| Congressional Budget Justification .....   | 38                       | 20                                     |

## Reporting Requirements and Associated Staff/Workload—Continued

| Type of Report  | Number of Staff Involved | Number of Work Days to Complete Report |
|---|--------------------------|--|
| Congressional Notification .....                                      | 5                        | 8                                      |
| Earmark Reports .....   | 38                       | 15                                     |
| PEPFAR—Country Operational Plan (USAID time/resources) .....          | 55                       | 65                                     |
| PEPFAR—Annual Report (USAID time/resources) .....                     | 55                       | 35                                     |
| PMI (Malaria Operational Plan) (USAID time/resources) .....           | 7                        | 25                                     |
| Micro-enterprise Report .....   | 5                        | 10                                     |
| Mission Strategic Plan (USAID time/resources) .....                   | 15                       | 12                                     |
| PL 480 Reporting Cable .....  | 4                        | 10                                     |
| FMFIA (Mission-wide reporting) .....                                  | 45                       | 15                                     |
| Environment Reporting IEE .....                                       | 38                       | 30                                     |
| Program Audit Reporting .....   | 12                       | 15                                     |
| Report on Reports (individual taskings) .....                         | 3                        | 2                                      |
| Global Climate Change Reporting .....                                 | 5                        | 3                                      |
| Biodiversity Reporting .....  | 5                        | 3                                      |
| Water Report for Congress .....                                       | 2                        | 3                                      |
| Country Strategic Plan (every other year or so)—Mission Wide .....    | 152                      | 150                                    |
| Donor Reporting .....   | 4                        | 15                                     |
| CDC   |                          |  |
| COP Development .....   | 21                       | 30                                     |
| Response to Core Team comments—COP review .....                       | 10                       | 3                                      |
| Reprogramming COP (due to CR for 2007) .....                          | 5                        | 15                                     |
| Plus-ups (OGAC) .....   | 21                       | 10                                     |
| Reprogramming (OGAC and headquarters)—each time .....                 | 13                       | 5                                      |
| Reprogramming/Carryover (CDC or MOH) .....                            | 17                       | 5                                      |
| SAPR (Semi-Annual Report) .....                                       | 10                       | 15                                     |
| APR (Annual Report) .....   | 10                       | 15                                     |
| DEPARTMENT OF DEFENSE   |                          |  |
| Congressional Report on International Military Training (CRIMT) ..... | 1                        | 2                                      |

*USG Agencies Operating in Mozambique:*

Department of State, Department of Defense, U.S. Agency for International Development, Center for Disease Control, U.S. Trade and Development Agency, Department of Labor, U.S. Trade Representative, Department of Commerce, OPIC, Millennium Challenge Corporation, Ex-Im Bank, Department of Justice, Department of Agriculture, Peace Corps, Department of Interior.



## Appendix V

### OPERATIONAL PLAN PROGRAM MATRIX

The Standardized Program Structure table below is used in each embassy's OP to demonstrate how foreign assistance is being distributed in the host country. Only State and USAID funding is included in the OP. MCC, PEPFAR, DOD foreign assistance, and U.S. domestic agency foreign aid activities are not included.

#### PEACE AND SECURITY A1

| Program Area  | Program Elements   |
|---|--|
| Counter Terrorism A01                                   | 1.1 Deny Terrorist Sponsorship, Support and Sanctuary—A001<br>1.2 De-Legitimize Terrorist Ideology—A002<br>1.3 Governments' Capabilities—A003<br>1.4 Program Support—A004  |
|   | Subtotal   |
| Combating Weapons of Mass Destruction (WMD) A02         | 2.1 Control WMD Proliferation and Combat WMD Terrorism—A005<br>2.2 Program Support—A006  |
|   | Subtotal   |
| Stabilization Operations and Security Sector Reform A03 | 3.1 Operations Support—A007<br>3.2 Disarmament, Demobilization & Reintegration (DDR)—A008<br>3.3 Destruction and Security of Conventional Weapons—A009<br>3.4 Explosive Remnants of War (ERW)—A010<br>3.5 Immediate Protection of Civilians in Conflict—A011<br>3.6 Defense, Military, and Border Security Restructuring, Reform and Operations—A012<br>3.7 Law Enforcement Restructuring, Reform, and Operations—A013<br>3.8 Program Support—A014 |
|   | Subtotal   |

## PEACE AND SECURITY A1—Continued

| Program Area                               | Program Elements  |
|--|---|
| Counter-Narcotics A04                      | 4.1 Eradication—A015<br>4.2 Alternative Development and Alternative Livelihoods—A016<br>4.3 Interdiction—A017<br>4.4 Drug Demand Reduction—A018<br>4.5 Program Support—A019   |
|  | Subtotal  |
| Transnational Crime A05                    | 5.1 Financial Crimes and Money Laundering—A020<br>5.2 Intellectual Property Theft, Corporate Espionage, and Cyber Security—A021<br>5.3 Trafficking-in-Persons and Migrant Smuggling—A022<br>5.4 Organized and Gang-related Crime—A023<br>5.5 Program Support—A024 |
|  | Subtotal  |
| Conflict Mitigation and Reconciliation A06 | 6.1 Conflict Mitigation—A025<br>6.2 Peace and Reconciliation Processes—A026<br>6.3 Preventive Diplomacy—A027<br>6.4 Program Support—A028  |
|  | Subtotal  |
|  | SUBTOTAL  |

## GOVERNING JUSTLY &amp; DEMOCRATICALLY A2

| Program Area                     | Program Elements   |
|----------------------------------|--|
| Rule of Law and Human Rights A07 | 1.1 Constitutions, Laws, and Legal Systems—A029<br>1.2 Judicial Independence—A030<br>1.3 Justice System—A031<br>1.4 Human Rights—A032<br>1.5 Program Support—A033  |
|                                  | Subtotal   |
| Good Governance A08              | 2.1 Legislative Function and Processes—A034<br>2.2 Public Sector Executive Function—A035<br>2.3 Local Government and Decentralization—A036<br>2.4 Anti-Corruption Reforms—A037<br>2.5 Governance of the Security Sector—A038<br>2.6 Program Support—A039 |
|                                  | Subtotal   |

## GOVERNING JUSTLY &amp; DEMOCRATICALLY A2—Continued

| Program Area  | Program Elements  |
|---|---|
| Political Competition and<br>Consensus-Building A09 | 3.1 Consensus-Building Processes—A040<br>3.2 Elections and Political Processes—A041<br>3.3 Political Parties—A042<br>3.4 Program Support—A043 |
|   | Subtotal  |
| Civil Society A10                                   | 4.1 Civic Participation—A044<br>4.2 Media Freedom and Freedom of Information—A045<br>4.3 Program Support—A046                                 |
|   | Subtotal  |
|   | SUBTOTAL  |

## INVESTING IN PEOPLE A3

| Program Area   | Program Elements   |
|--|--|
| Health A11   | 1.1 HIV/AIDS—A047<br>1.2 Tuberculosis—A048<br>1.3 Malaria—A049<br>1.4 Avian Influenza—A050<br>1.5 Other Public Health Threats—A051<br>1.6 Maternal and Child Health—A052<br>1.7 Family Planning and Reproductive Health—A053<br>1.8 Water Supply and Sanitation—A054 |
|  | Subtotal   |
| Education A12  | 2.1 Basic Education—A055<br>2.2 Higher Education—A056  |
|  | Subtotal   |
| Social Services and Protec-<br>tion for Especially Vulner-<br>able Populations A13 | 3.1 Policies, Regulations, and Systems—A057<br>3.2 Social Services—A058<br>3.3 Social Assistance—A059  |
|  | Subtotal   |
|  | SUBTOTAL   |

## ECONOMIC GROWTH A4

| Program Area                            | Program Elements   |
|---|--|
| Macroeconomic Foundation for Growth A14 | 1.1 Fiscal policy—A060<br>1.2 Monetary policy—A061<br>1.3 Program Support—A062   |
|   | Subtotal   |
| Trade & Investment A15                  | 2.1 Trade and Investment Enabling Environment—A063<br>2.2 Trade and Investment Capacity—A064<br>2.3 Program Support—A065   |
|   | Subtotal   |
| Financial Sector A16                    | 3.1 Financial Sector Enabling Environment—A066<br>3.2 Financial Services—A067<br>3.3 Program Support—A068  |
|   | Subtotal   |
| Infrastructure A17                      | 4.1 Modern Energy Services—A069<br>4.2 Communications Services—A070<br>4.3 Transport Services—A071<br>4.4 Program Support—A072   |
|   | Subtotal   |
| Agriculture A18                         | 5.1 Agricultural Enabling Environment—A073<br>5.2 Agricultural Sector Productivity—A074<br>5.3 Program Support—A075  |
|   | Subtotal   |
| Private Sector Competitive-ness A19     | 6.1 Business Enabling Environment—A076<br>6.2 Private Sector Productivity—A077<br>6.3 Workforce Development—A078<br>6.4 Program Support—A079   |
|   | Subtotal   |
| Economic Opportunity A20                | 7.1 Inclusive Financial Markets—A080<br>7.2 Policy Environment for Micro and Small Enterprises—A081<br>7.3 Strengthen Microenterprise Productivity—A082<br>7.4 Inclusive Economic Law and Property Rights—A083<br>7.5 Program Support—A084 |
|   | Subtotal   |

## ECONOMIC GROWTH A4—Continued

| Program Area    | Program Elements   |
|-----------------|--|
| Environment A21 | 8.1 Natural Resources and Biodiversity—A085<br>8.2 Clean Productive Environment—A086<br>8.3 Program Support—A087 |
|                 | Subtotal   |
|                 | SUBTOTAL   |

## HUMANITARIAN ASSISTANCE A5

| Program Area                              | Program Elements   |
|---|--|
| Protection, Assistance and Solutions A22  | 1.1 Protection and Solutions—A088<br>1.2 Assistance & Recovery—A089<br>1.3 Program Support—A090                        |
|   | Subtotal   |
| Disaster Readiness A23                    | 2.1 Capacity Building, Preparedness, and Planning—A091<br>2.2 Mitigation—A092<br>2.3 Program Support—A093              |
|   | Subtotal   |
| Migration Management A24                  | 3.1 Protection and Assistance—A094<br>3.2 Institutional Support and Capacity-building—A095<br>3.3 Program Support—A096 |
|   | Subtotal   |
|   | SUBTOTAL   |
| Cross-Cutting Management and Staffing A25 | 6.1 Program Support—A097   |
|   | Subtotal   |
|   | TOTAL  |



## Appendix VI

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### ACRONYMS

*ACI*—Anti-Corruption Initiative  
*AFRICOM*—African Command  
*AGOA*—African Growth and Opportunity Act  
*AIDS*—Acquired Immune Deficiency Syndrome  
*APR*—Annual Program Results  
*ATPDEA*—Andean Trade Preference and Drug Eradication Act  
*ARV*—Anti-retrovirals  
*CAFTA*—Central America Free Trade Agreement  
*CCIF*—Combatant Commander Initiative Fund  
*CDC*—Center for Disease Control  
*CERP*—Commanders Emergency Response Program  
*CLO*—Community Liaison Office  
*COP*—Country Operational Plan  
*COM*—Chief of Mission (ambassador)  
*CR*—Continuing Resolution  
*CRIMT*—Congressional Report on International Military Training  
*CRS*—Congressional Research Service  
*CSH*—Child survival and health account  
*DA*—Development assistance account  
*DCM*—Deputy Chief of Mission  
*DF*—Democracy Fund  
*DFA*—Director of Foreign Assistance  
*DOD*—Department of Defense  
*DRL*—Democracy Human Rights and Labor Bureau, State Department  
*EAP*—East Asia/Pacific Bureau, State Department  
*ERMA*—Emergency Refugee and Migration Assistance  
*ESF*—Economic Support Funds account  
*EU*—European Union

*EUCOM*—European Combatant Command  
*EUR/ACE*—U.S. Assistance Coordinator for Europe and Eurasia  
*FMF*—Foreign Military Financing  
*FMFIA*—Federal Managers Financial Integrity Act  
*FSA/SEED*—Freedom and Support Act/Support for Eastern European Democracy  
*GHAI*—Global HIV/AIDS Initiative  
*GDP*—Gross Domestic Product  
*GNP*—Gross National Product  
*GWOT*—Global War on Terrorism  
*HCA*—Humanitarian and Civic Assistance  
*HHS*—Health and Human Services Department  
*HIPC*—Highly Indebted Poor Country  
*HIV*—Human Immunodeficiency Virus  
*IDFA*—International Disaster and Famine Assistance  
*ILEA*—International Law Enforcement Agency  
*IMET*—International Military Education and Training  
*INCLE*—International Narcotics Control and Law Enforcement  
*MCA*—Millennium Challenge Account  
*MCC*—Millennium Challenge Corporation  
*MEPI*—Middle East Partnership Initiative  
*MOH*—Ministry of Health  
*MRA*—Migration and Refugee Assistance  
*MSP*—Mission Strategic Plan  
*NADR*—Nonproliferation, Anti-Terrorism, Demining, and Related Programs  
*NATO*—North Atlantic Treaty Organization  
*NGO*—Non-Governmental Organization  
*ODA*—Official Development Assistance  
*OGAC*—Office of the Global AIDS Coordinator  
*OP*—Operational Plan  
*OPIC*—Overseas Private Investment Corporation  
*OSCE*—Organization for Security and Cooperation in Europe  
*OVC*—Orphans and Vulnerable Children  
*PEPFAR*—President’s Emergency Plan for AIDS Relief  
*PPF*—Partnership for Peace  
*PKO*—Peacekeeping Operations  
*PL 480*—Food for Peace  
*PMI*—President’s Malaria Initiative  
*PRT*—Provincial Reconstruction Team  
*SAPR*—Semi-Annual Program Results  
*SFRC*—Senate Foreign Relations Committee  
*TB*—Tuberculosis  
*TI*—Transition Initiative

*UN*—United Nations  
*UNDP*—United Nations Development Program  
*UNICEF*—United Nations International Children’s Emergency  
Fund  
*UNMEE*—United Nations Mission in Ethiopia and Eritrea  
*USITC*—United States International Trade Commission  
*USAID*—United States Agency for International Development  
*WMD*—Weapons of Mass Destruction