
Fiscal Year 2009 Budget Hearing for Foreign Assistance

By

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Thank you for this opportunity to appear before the Committee today in support of the President's FY2009 Foreign Operations budget request and to discuss our nation's foreign assistance priorities. The degree of turmoil and poverty in the world right now poses both challenges and opportunities for our assistance programs and underscores the vital role of development in achieving our objectives: the dramatic election in Pakistan; the transfer of power in Cuba; Kosovo's declaration of independence; the safety concerns that so many of our staff and the staff of our partners face on a daily basis; the humanitarian crises in Darfur, Chad, West Bank Gaza, Iraq, Burma, and Democratic Republic of Congo...to name a few. Never has foreign assistance been more critical to our national security and to the citizens of the developing world.

The path from poverty to prosperity is a long one. Success can't be realized in a matter of months, by a single Administration, or by any one generation of development leadership. But already we have made progress this century. In 1981, 40 percent of the population of developing countries was in poverty. In 2004, that percentage had decreased to 18 percent and is projected to decline further to 10 percent in 2015. According to Freedom House, by the end of 2007, the number of not free countries dropped from 59 in 1980 to 43. The number of partly free countries increased from 52 to 60, and the number of free countries increased from 51 to 90.

We are here today to talk about the FY2009 Budget for Foreign Operations. As we discuss these numbers—which can often seem dry and abstract—it is important, as I know you are very aware, to remember what this funding will mean to our partners and recipients all around the world. The surest, truest compass point I know to remember the why of what we do is to see first hand the people we serve: the Peruvian farmer in the highlands, the Malian girl who just attended her first day at school, the Sudanese family who found safety in a refugee camp, a youth activist in Ukraine, a young trafficking victim from Vietnam, a landmine victim in Lebanon, a Kyrgyz business woman looking to expand her business. These are the people we serve—those who have the least means and opportunity yet still yearn to build their lives, their nations, and their futures. With that backdrop, I would like to describe some highlights of the President's Fiscal Year 2009 Foreign Operations request.

President Bush's Fiscal Year 2009 Foreign Operations Budget for the State Department and the United States Agency for International Development requests \$22.7 billion, a 2.7% increase above the Fiscal Year 2008 enacted level. Our request is an increase of over \$2.1 billion compared to the Fiscal Year 2008 President's Budget for State Department and USAID Foreign Operations accounts. This robust request was built with an improved model that reflects an integrated approach between State and USAID and Washington and our missions in the field and a collaborative effort with other U.S. Government agencies involved in foreign assistance.

Foreign Operations Request

The FY2009 budget request will strengthen and expand U.S. capacity for global engagement by enhancing our ability to pursue diplomatic and development solutions to vital national security issues. It

reflects the critical role of the Department of State and USAID in implementing the National Security Strategy and addressing the conditions that facilitate terrorism by promoting freedom, democracy, and development around the world. The budget request supports five key goals: supporting our War on Terror efforts, strengthening USAID's operational capacity, expanding our poverty reduction investments, maintaining a strong focus on health, and continuing our focus on security assistance. I would like briefly to address for the Committee each of these goals.

Global War on Terror

Terrorism is the greatest challenge to our national security, and the War on Terror will continue to be the focus of both diplomatic and reconstruction efforts as long as violent extremist ideologies and their proponents find safety and support in unstable and failing states. As the President said in his September speech to the UN [United Nations] General Assembly, the best way to defeat the extremists is to defeat their dark ideology with a more hopeful vision of liberty. We have made important strides in diplomatic and foreign assistance efforts in Iraq and Afghanistan, even as we recognize the daunting work that remains. The FY2009 request includes \$2.3 billion to continue providing strong support for our critical efforts in Iraq, Afghanistan, and Pakistan.

Our engagement with Iraq remains the centerpiece of the United States' effort in the War on Terror. The Administration's FY2009 request of \$404 million is critical to achieving our long-term goals in Iraq, the Middle East, and the War on Terror. While the strategy to achieve success in Iraq has evolved, the overarching goal remains unchanged: a unified, democratic, federal Iraq that can govern, defend, and sustain itself and is an ally in the War on Terror.

This request includes economic, democratic, and governance reform programs that take advantage of the recent security gains to help the Iraqis create a strong political and economic foundation. I also would urge Congress to act quickly on the President's remaining \$986 million requested in the FY2008 Global War on Terror Supplemental. These funds are urgently needed to help the Iraqis become more self-reliant and undermine Iraq's insurgency through job creation programs for young men, capacity building, governance, and reconciliation programs at both the community and national level. We would like to thank this Committee for its leadership and continued support for the Marla Ruzika War Victim's Assistance program. This program has provided assistance to individuals, families, and entire communities harmed as a result of coalition military operations. To date 1,311 projects have been implemented directly assisting nearly 2 million war victims and their family members. Your support has been essential in achieving these excellent results.

The President's request of \$1.05 billion in foreign assistance for Afghanistan will assist to fight the insurgency and establish long-term stability in the country. The United States is pursuing a multi-year program of economic development, security sector assistance, and political engagement buttressed by efforts to establish democratic institutions and improvements in governance, rule of law, and service delivery by the Government of Afghanistan. I would urge Congress to also act quickly on the FY2008 supplemental for additional, and critical, assistance programs to help Afghanistan push-back on recent gains by the Taliban. The FY2009 request sustains activities that are supported by the FY2008 Supplemental request, which is aimed at making government more accountable and closer to the people through improvements in health and education services, justice administration, opportunities for political participation, and local governance. Efforts to improve Afghan governance, establish and strengthen democratic institutions, and achieve prosperity for the Afghan people are just as crucial to winning the War on Terror as security assistance to fight insurgent groups, prevent narcotics trafficking, and train the Afghan Security Forces.

With the increasing influence of extremists in the Pakistan border region with Afghanistan, Pakistan has become an even more critical front to winning the War on Terrorism, particularly in Afghanistan. The \$826 million requested supports the Government of Pakistan in fulfilling its vision of a moderate,

democratic, and prosperous country at peace with its neighbors and contributing to regional stability. It will be important to align these resources with the newly elected democratic government of Pakistan; and we are prepared to engage fully with that government on its development priorities, including in the Federally Administered Tribal Areas.

A FY2009 Global War on Terrorism Supplemental request is not included in this budget request. As needs are better known, the Administration will request additional funds for Foreign Operations.

Strengthening USAID's Operational Capacity

Under President Bush and with the full support of Congress, the United States has launched the largest international development effort since the Marshall Plan. USAID's workforce and infrastructure must keep pace. This request includes \$92 million to launch the Development Leadership Initiative [DLI], which aims to strengthen and invest in USAID's critically important Foreign Service Officer Corps. Not only do we need to ensure the size of USAID's workforce keeps pace with the significant increases in USAID program management responsibilities, but we also need to make sure the workforce has the necessary expertise and skill sets.

The request for the Development Leadership Initiative will allow USAID to hire an additional 300 Foreign Service Officers, a 30 percent increase in the career Foreign Service workforce. DLI will address critical staffing challenges in stewardship and technical areas, which will help provide increased accountability in U.S. foreign aid programs. We need more talent on the ground, in more countries, with the resources and skills to help build the capacity of people and institutions.

The overall request for USAID administrative accounts represents a significant increase in the resources for training and information technology from the FY2008 enacted levels. Increased training will enable the Agency to ensure that staff have essential job skills and leadership training to carry out the development mission. We need to modernize antiquated business systems to improve the integrated procurement and financial management processes, continue e-government initiatives, and improve the Agency's ability to report results.

Renewing the Focus on Poverty Reduction

The FY2009 request demonstrates our strong commitment to fighting poverty, with a focus on promoting economic growth and strengthening democratic institutions and governance. This is reflected in our request for the Development Assistance [DA] account, which represents a 40 percent true programmatic increase from the FY2008 request.

A key priority in building this year's budget is strengthening our commitment to Africa. Funding is targeted to address development gaps and to support economic opportunity and governance programs critical to the success of the massive investments we have made through the Millennium Challenge Corporation and the President's Emergency Plan for AIDS Relief. The budget provides significant increases for democracy funding in African countries.

Another key priority is reinvigorating investment in the Western Hemisphere. Programs to advance democracy and free trade in the region are prioritized, with significant investments for Peru and Central America. Our goal is to encourage transparent and competitive political processes, promote the rule of law, and respect for human rights.

Promoting Freedom

The United States supports freedom through promoting institutions that foster just and democratic governance for three reasons: as a matter of principle, as a central pillar of our national security strategy,

and to advance our broader development agenda. For this reason, our request for Governing Justly and Democratically [GJD] programs has increased 27% from FY2008 enacted levels.

U.S. foreign assistance will support the President's Freedom Agenda to end tyranny and the Secretary's vision of Transformational Diplomacy by promoting and strengthening effective democracies in recipient states and moving them along a continuum toward consolidation and sustainable partnership. Our objective is to reduce the number of authoritarian states that do not allow meaningful political competition and do not respect human rights and to increase the number of democracies and improve the quality of their governance.

Over 75% of the money is targeted to fragile democracies and authoritarian states. With this Committee's continued strong support for democracy programs, we will support elections in Afghanistan; build government capacity in Iraq; and support a genuine transition to democratic, civilian rule in Pakistan while building up the capacity to govern in the volatile frontier region. We will also continue to support democracy activists in some of the world's most repressive regimes in countries like Belarus, Burma, Cuba, Iran, North Korea, Syria, and Zimbabwe.

To assist us in the work that we do, American private capital flows to the developing world have tripled over the last three years—and now represent over 80 percent of financial flows to developing countries. This is a profound—indeed, radical change in the relationship between institutional and private foreign assistance flows. Across the broader development landscape, I envision USAID making an invaluable contribution by using its convening influence to better coordinate public and private sector resources and programs that support human progress in the developing world. We will devote more of our management, technical expertise, and financing resources to coordinating international development—and to building partnerships that will accelerate the pace of progress.

Maintain a Strong Focus on Health

This request continues our commitment to improving interventions that address critical worldwide needs for HIV/AIDS, malaria, tuberculosis, neglected tropical diseases, other infectious diseases, maternal and child health, and family planning. A total of \$1.58 billion is requested for the Child Survival and Health Programs Fund [CSH]. This includes \$385 million to support the President's Malaria Initiative [PMI] to provide prevention and treatment in 15 countries severely burdened by malaria; \$370 million for life saving interventions for children and mothers, including immunizations, newborn and post-partum care; and \$301 million for high-quality, voluntary family planning.

The Global HIV/AIDS initiative continues to be the centerpiece of our health programs and is the largest source of funding for the President's Emergency Plan for AIDS Relief [PEPFAR]. The request of \$4.779 billion is a substantial increase over the FY2008 enacted level. Funding will support country-based activities, international partners, technical support, and oversight and management. The FY2009 request is the first of a new, five-year, \$30 billion commitment that builds upon and expands our initial five-year, \$15 billion commitment.

Continued Focus on Security Assistance

Building well-governed, democratic states and reducing poverty is an antidote to extremism and requires a foundation in security. The United States must remain a leader in combating transnational security threats, including terrorism, the proliferation of weapons of mass destruction, transnational crime, and illicit narcotics. We also must continue to support bilateral and multilateral stabilization efforts in countries that are in or rebuilding from conflict. The United States cannot do this alone. Therefore, our security assistance request will help ensure that our coalition partners and friendly foreign governments are equipped and trained to work toward common security goals and share burdens in joint missions. This request includes more than \$5.1 billion for security assistance, a five percent increase over FY2008 levels.

The largest component of our security assistance request is \$4.8 billion in Foreign Military Financing [FMF]. This includes \$2.6 billion for Israel, a \$150 million increase from FY2008, to support the first year of a ten-year \$30 billion strategy to help Israel maintain its qualitative military advantage.

The President also is requesting an additional \$550 million to improve security in our hemisphere through the new Merida security initiative. This initiative will combat drug trafficking, transnational crime, and related threats in Mexico and Central America, while consolidating democratic gains. Also in the Western Hemisphere, we are requesting \$406 million for the Andean Counter-drug Program to continue reducing the flow of drugs into the United States.

In Africa, we are committed to supporting peace keeping and counterterrorism efforts. The FY2009 request includes \$50 million in Peacekeeping Operations to complete the effort to transform the Liberian military, invest in building and transforming Southern Sudanese guerilla forces into a conventional army, support peace in the Horn of Africa, and provide technical assistance and training to the Democratic Republic of the Congo to stabilize this volatile region. The \$61 million total request in several accounts for the Trans Sahara Counterterrorism Partnership will facilitate coordination in countering terrorism between countries in West and North Africa.

The President's request also includes the Civilian Stabilization Initiative [CSI], designed to strengthen the U.S. Government's response to stabilization and reconstruction crises. While it is funded from the Department of State Operations budget, I would note that CSI provides for the creation of a 250-member interagency Active and 2000-member Standby Response Corps, of which almost half will be based at USAID. Likewise, the U.S. Civilian Reserve Corps will allow the Secretary of State, and USAID as the development agency, to draw on expertise from citizens across the United States in municipal and local government, the private sector, and non-governmental partners. Working closely with our Active and Standby Response Corps, these city managers, community police advisors, municipal utility engineers, and other experts will allow us to put the right people in the right place at the right time when we need them most.

Finally, I would like to note that there have been concerns expressed among our partners in the NGO [Non-Governmental Organizations] community that humanitarian funding has been reduced in the FY2009 request. I want to assure the committee that this Administration supports America's proud tradition of helping those most in need when natural or man-made disaster strikes. As always with regard to humanitarian assistance accounts, additional requests for resources will be made during the course of the year, as the level of requirements becomes clearer. While I know that the PL 480 Title II appropriation is handled by a separate subcommittee, the funds requested for emergency food aid have a direct link to our overall development goals and other humanitarian assistance programs funded by this subcommittee. I look forward to engaging with this Committee to ensure that America continues its humanitarian leadership.

As Secretary Rice recently said, it is American Realism that informs our pursuit of a just economic model of development. Despite the wealth of many, the amount of deprivation we see still remains unacceptable. Half of our fellow human beings live on less than \$2 a day. But we know what works: we know that when nations embrace free markets and free trade, govern justly, and invest in their people, they create a prosperity of their own that fosters opportunities for all their citizens to participate fully in their political and economic system.

We have met, or are on course to meet, our international commitments to increase official development assistance. Since 2001, we have quadrupled our bilateral assistance to Africa; and we've nearly tripled our development assistance worldwide. This unprecedented investment calls on us to focus—more than we ever have before—on setting clear goals, managing performance, demanding accountability, and

generating results. To that end, we have submitted a robust budget while we work to both modernize and revitalize the delivery of foreign assistance.

I know that many of our colleagues in the development community and in Congress have important questions about how the management of foreign assistance is proceeding since the creation of the position of Director of Foreign Assistance. Since I carry this portfolio, as well as that of Administrator of USAID, I have devoted much time to improving this process, as I pledged to the Congress I would. Over the past nine months, I've made significant changes in the foreign assistance budget processes based on specific suggestions from colleagues in USAID and State—particularly those in the field—and from our partner organizations and from you in Congress. This includes shifting the emphasis to the field by providing more opportunities for field proposals into the budget formulation and distribution processes. Additionally, we have started implementing a number of changes to streamline the FY2008 Operational Plan preparation and approval processes, increasing transparency and improving communication to the field. We are pleased that these changes will reduce the amount of field time required to prepare the Plan and reduce the volume of materials submitted to Washington by between 20 and 80 percent. We are also starting a new competitive procurement for the Operational Plan database—placing a premium on user-friendliness, performance, and flexibility in the system.

Mr. Chairman, the robust FY2009 Foreign Operations request is fully justified and critical to the national security interests of the United States. We understand that these funds are the result of the efforts of hard working American taxpayers. By strengthening the capacity of USAID, strengthening our collaboration with other U.S. Government agencies, and our coordination with the private sector, we will manage these funds efficiently as stewards of the American people.