

Secretary of State Colin L. Powell
Statement for the Record
Senate Budget Committee
February 11, 2003

Mr. Chairman, members of the committee, I am pleased to appear before you to testify in support of the President's International Affairs Budget for Fiscal Year 2004. Funding requested for FY 2004 for the Department of State, USAID, and other foreign affairs agencies is \$28.5 billion.

The President's Budget will allow the United States to:

- Target security and economic assistance to sustain key countries supporting us in the war on terrorism and helping us to stem the proliferation of weapons of mass destruction;
- Launch the Millennium Challenge Account – a new partnership generating support to countries that rule justly, invest in their people, and encourage economic freedom;
- Strengthen the U.S. and global commitment to fighting HIV/AIDS and alleviating humanitarian hardships;
- Combat illegal drugs in the Andean Region of South America, as well as bolster democracy in one of that region's most important countries, Colombia; and
- Reinforce America's world-class diplomatic force, focusing on the people, places, and tools needed to promote our foreign policies around the world.

I am particularly proud of the last bullet, Mr. Chairman, because for the past two years I have concentrated on each of my jobs -- primary foreign policy advisor to the President and Chief Executive Officer of the State Department.

Under my CEO hat, we have been reinforcing our diplomatic force for two years and we will continue in FY 2004. We will hire 399 more professionals to help the President carry out the nation's foreign policy. This hiring will bring us to the 1,100-plus new foreign and civil service officers we set out to hire over the first three years to bring the Department's personnel back in line with its diplomatic workload. Moreover, completion of these hires will allow us the flexibility to train and educate all of our officers as they should be trained and educated. So I am proud of that accomplishment and want to thank you for helping me bring it about.

In addition, I promised to bring state-of-the-art communications capability to the Department – because people who can't communicate rapidly and effectively in today's globalizing world can't carry out our foreign policy. We are approaching our goal in that regard as well.

In both unclassified and classified communications capability, including desk-top access to the Internet for every man and woman at State, we are there by the end of 2003. The budget before you will sustain these gains and continue our information technology modernization effort.

Finally, with respect to my CEO role, I wanted to sweep the slate clean and completely revamp the way we construct our embassies and other overseas buildings, as well as improve the way we secure our men and women who occupy them. As you well know, that last task is a long-term, almost never-ending one, particularly in this time of heightened terrorist activities. But we are well on the way to implementing both the construction and the security tasks in a better way, in a less expensive way, and in a way that subsequent CEOs can continue and improve on.

Mr. Chairman, let me give you key details with respect to these three main CEO priorities, as well as tell you about other initiatives under my CEO hat:

The CEO Responsibilities: State Department and Related Agencies

The President's FY 2004 discretionary request for the Department of State and Related Agencies is \$8.497 billion. The requested funding will allow us to:

- Continue initiatives to recruit, hire, train, and deploy the right work force. The budget request includes \$97 million to complete the Diplomatic Readiness Initiative by hiring 399 additional foreign affairs professionals. Foreign policy is carried out through our people, and rebuilding America's diplomatic readiness in staffing will ensure that the Department can respond to crises and emerging foreign policy priorities. This is the third year of funding for this initiative, which will provide a total of 1,158 new staff for the Department of State.
- Continue to put information technology in the service of diplomacy. The budget request includes \$157 million to sustain the investments made over the last two years to provide classified connectivity to every post that requires it and to expand desktop access to the Internet for State Department employees. Combined with \$114 million in estimated Expedited Passport Fees, a total of \$271 million will be available for information technology investments, including beginning a major initiative – SMART – that will overhaul the outdated systems for cables, messaging, information sharing, and document archiving.
- Continue to upgrade and enhance our security worldwide. The budget request includes \$646.7 million for programs to enhance the security of our diplomatic facilities and personnel serving abroad and for hiring 85 additional security and support professionals to sustain the Department's Worldwide Security Upgrades program.
- Continue to upgrade the security of our overseas facilities. The budget request includes \$1.514 billion to fund major security-related construction projects and address the major physical security and rehabilitation needs of embassies and consulates around the world. The request includes \$761.4 million for construction of secure embassy compounds in seven countries and \$128.3 million for construction of a new embassy building in Germany.
- The budget also supports management improvements to the overseas buildings program and the Overseas Building Operations (OBO) long-range plan. The budget proposes a Capital Security Cost Sharing Program that allocates the capital costs of new overseas facilities to all U.S. Government agencies on the basis of the number of their authorized overseas positions. This program will serve two vital purposes: (1) to accelerate construction of new embassy

compounds and (2) to encourage Federal agencies to evaluate their overseas positions more carefully. In doing so, it will further the President's Management Agenda initiative to rightsize the official American presence abroad. The modest surcharge to the cost of stationing an American employee overseas will not undermine vital overseas work, but it will encourage more efficient management of personnel and taxpayer funds

- Continue to enhance the Border Security Program. The budget request includes \$736 million in Machine Readable Visa (MRV) fee revenues for continuous improvements in consular systems, processes, and programs in order to protect U.S. borders against the illegal entry of individuals who would do us harm.
- Meet our obligations to international organizations. Fulfilling U.S. commitments is vital to building coalitions and gaining support for U.S. interests and policies in the war against terrorism and the spread of weapons of mass destruction. The budget request includes \$1 billion to fund U.S. assessments to 44 international organizations, including \$71.4 million to support renewed U.S. membership in the United Nations Educational, Scientific, and Cultural Organization (UNESCO).
- Support obligations to international peacekeeping activities. The budget request includes \$550.2 million to pay projected UN peacekeeping assessments. These peacekeeping activities ensure continued American leadership in shaping the international community's response to developments that threaten international peace and stability.

Continue to eliminate support for terrorists and thus deny them safe haven through our ongoing public diplomacy activities, our educational and cultural exchange programs, and international broadcasting. The budget request includes \$296.9 million for public diplomacy, including information and cultural programs carried out by overseas missions and supported by public diplomacy personnel in our regional and functional bureaus. These resources are used to engage, inform, and influence foreign publics and broaden dialogue between American citizens and institutions and their counterparts abroad.

The budget request also includes \$345.3 million for educational and cultural exchange programs that build mutual understanding and develop friendly relations between America and the peoples of the world. These activities establish the trust, confidence, and international cooperation with other countries that sustain and advance the full range of American national interests.

The budget request includes \$100 million for education and cultural exchanges for States of the Former Soviet Union and Central and Eastern Europe, which were previously funded under the FREEDOM Support Act and Support for East European Democracy (SEED) accounts.

As a member of the Broadcasting Board of Governors, I want to take this opportunity to highlight to you the BBG's pending budget request for \$563.5 million. Funding will advance international broadcasting efforts to support the war on terrorism, including initiation of the Middle East Television Network.

Mr. Chairman, I know that your committee staff will go over this statement with a fine-tooth comb and I know too that they prefer an account-by-account laydown. So here it is:

Diplomatic and Consular Programs (D&CP):

- The FY 2004 request for D&CP, the State Department's chief operating account, totals \$4.164 billion.
- D&CP supports the diplomatic activities and programs that constitute the first line of offense against threats to the security and prosperity of the American people. Together with Machine Readable Visa and other fees, the account funds the operating expenses and infrastructure necessary for carrying out U.S. foreign policy in more than 260 locations around the world.
- The FY 2004 D&CP request provides \$3.517 billion for ongoing operations – a net increase of \$132.7 million over the FY 2003 level. Increased funding will enable the State Department to advance national interests effectively through improved diplomatic readiness, particularly in human resources.
- The request completes the Secretary's three-year Diplomatic Readiness Initiative to put the right people with the right skills in the right place at the right time. New D&CP funding in FY 2004 of \$97 million will allow the addition of 399 professionals, providing a total of 1,158 new staff from FY 2002 through FY 2004.
- The FY 2004 D&CP request also provides \$646.7 million for Worldwide Security Upgrades – an increase of \$93.7 million over last year. This total includes \$504.6 million to continue worldwide security programs for guard protection, physical security equipment and technical support, information and system security, and security personnel and training. It also includes \$43.4 million to expand the perimeter security enhancement program for 232 posts and \$98.7 million for improvements in domestic and overseas protection programs, including 85 additional agents and other security professionals.

Capital Investment Fund (CIF):

- The FY 2004 request provides \$157 million for the CIF to assure that the investments made in FY 2002 and FY 2003 keep pace with increased demand from users for functionality and speed.
- Requested funding includes \$15 million for the State Messaging and Archive Retrieval Toolset (SMART). The SMART initiative will replace outdated systems for cables and messages with a unified system that adds information sharing and document archiving.

Embassy Security, Construction, and Maintenance (ESCM):

- The FY 2004 request for ESCM is \$1.514 billion. This total – an increase of \$209.4 million over the FY 2003 level – reflects the Administration's continuing commitment to protect U.S. Government personnel serving abroad, improve the security posture of facilities overseas, and address serious deficiencies in the State Department's overseas infrastructure.

- For the ongoing ESCM budget, the Administration is requesting \$524.7 million. This budget includes maintenance and repairs at overseas posts, facility rehabilitation projects, construction security, renovation of the Harry S Truman Building, all activities associated with leasing overseas properties, and management of the overseas buildings program.
- For Worldwide Security Construction, the Administration is requesting \$761.4 million for the next tranche of security-driven construction projects to replace high-risk facilities. Funding will support the construction of secure embassies in seven countries – Algeria, Burma, Ghana, Indonesia, Panama, Serbia, and Togo. In addition, the requested funding will provide new on-compound buildings for USAID in Ghana, Jamaica, and Nigeria.
- The ESCM request includes \$100 million to strengthen compound security at vulnerable posts.
- The request also includes \$128.3 million to construct the new U.S. embassy building in Berlin.

Educational and Cultural Exchange Programs (ECE):

- The FY 2004 request of \$345.3 million for ECE maintains funding for exchanges at the FY 2003 request level of \$245 million and adds \$100 million for projects for Eastern Europe and the States of the Former Soviet Union previously funded from Foreign Operations appropriations.
- Authorized by the Mutual Educational and Cultural Exchange Act of 1961 (Fulbright-Hays Act), as amended, exchanges are strategic activities that build mutual understanding and develop friendly relations between the United States and other countries. They establish the trust, confidence, and international cooperation necessary to sustain and advance the full range of U.S. national interests.
- The request provides \$141 million for Academic Programs. These include the J. William Fulbright Educational Exchange Program for exchange of students, scholars, and teachers and the Hubert H. Humphrey Fellowship Program for academic study and internships in the United States for mid-career professionals from developing countries.
- The request also provides \$73 million for Professional and Cultural Exchanges. These include the International Visitor Program, which supports travel to the United States by current and emerging leaders to obtain firsthand knowledge of American politics and values, and the Citizen Exchange Program, which partners with U.S. non-profit organizations to support professional, cultural, and grassroots community exchanges.
- This request provides \$100 million for exchanges funded in the past from the FREEDOM Support Act (FSA) and Support for East European Democracy (SEED) accounts.
- This request also provides \$31 million for exchanges support. This funding is needed for built-in requirements to maintain current services.

Contributions to International Organizations (CIO):

- The FY 2004 request for CIO of \$1.010 billion provides funding for U.S. assessed contributions, consistent with U.S. statutory restrictions, to 44 international organizations to further U.S. economic, political, social, and cultural interests.

- The request recognizes U.S. international obligations and reflects the President's commitment to maintain the financial stability of the United Nations and other international organizations that include the World Health Organization, the North Atlantic Treaty Organization, the International Atomic Energy Agency, and the Organization for Economic Cooperation and Development.
- The budget request provides \$71.4 million to support renewed U.S. membership in the United Nations Educational, Scientific, and Cultural Organization (UNESCO). UNESCO contributes to peace and security in the world by promoting collaboration among nations through education, science, culture and communication and by furthering intercultural understanding and universal respect for justice, rule of law, human rights, and fundamental freedoms, notably a free press.
- Membership in international organizations benefits the United States by building coalitions and pursuing multilateral programs that advance U.S. interests. These include promoting economic growth through market economies; settling disputes peacefully; encouraging non-proliferation, nuclear safeguards, arms control, and disarmament; adopting international standards to facilitate international trade, telecommunications, transportation, environmental protection, and scientific exchange; and strengthening international cooperation in agriculture and health.

Contributions for International Peacekeeping Activities (CIPA):

- The administration is requesting \$550.2 million for CIPA in FY 2004. This funding level will allow the United States to pay its share of assessed UN peacekeeping budgets, fulfilling U.S. commitments and avoiding increased UN arrears.
- The UN peacekeeping appropriation serves U.S. interests in Europe, Africa and the Middle East, where UN peacekeeping missions assist in ending conflicts, restoring peace and strengthening regional stability.
- UN peacekeeping missions leverage U.S. political, military and financial assets through the authority of the UN Security Council and the participation of other states that provide funds and peacekeepers for conflicts around the world.

Broadcasting Board of Governors (BBG):

- The FY 2004 budget request for the BBG totals \$563.5 million.
- The overall request provides \$525.2 million for U.S. Government non-military international broadcasting operations through the International Broadcasting Operations (IBO) account. This account funds operations of the Voice of America (VOA), Radio Free Europe/Radio Liberty (RFE/RL), Radio Free Asia (RFA), and all related program delivery and support activities.

- The IBO request includes funding to advance broadcasting efforts related to the war on terrorism. The request includes \$30 million to initiate the Middle East Television Network – a new Arabic-language satellite TV network that, once operational, will have the potential to reach vast audiences in the Middle East. The request also includes funding to double VOA Indonesian radio programming, significantly increase television programming in Indonesia, and expand BBG audience development efforts.
- The IBO request reflects the shifting of priorities away from the predominantly Cold War focus on Central and Eastern Europe to broadcasting in the Middle East and Central Asia. Funds are being redirected to programs in these regions through the elimination of broadcasting to countries in the former Eastern Bloc that have demonstrated significant advances in democracy and press freedoms and are new or soon-to-be NATO and European Union Members.
- The IBO request also reflects anticipated efficiencies that achieve a five-percent reduction in funding for administration and management in FY 2004.
- The FY 2004 request also provides \$26.9 million through Broadcasting to Cuba (OCB) for continuing Radio Marti and TV Marti operations, including salary and inflation increases, to support current schedules.
- The FY 2004 request further provides \$11.4 million for Broadcasting Capital Improvements to maintain the BBG’s worldwide transmission network. The request includes \$2.9 million to maintain and improve security of U.S. broadcasting transmission facilities overseas.

That finishes the State and Related Agencies part of the President’s Budget. Now let me turn to the Foreign Affairs part.

The Foreign Policy Advisor Responsibilities: Funding America’s Diplomacy Around the World

The FY 2004 budget proposes several initiatives to advance U.S. national security interests and preserve American leadership. The FY 2004 Foreign Operations budget that funds programs for the Department State, USAID and other foreign affairs agencies is \$18.8 billion.

Today, our number one priority is to fight and win the global war on terrorism. The budget furthers this goal by providing economic, military, and democracy assistance to key foreign partners and allies, including \$4.7 billion to countries that have joined us in the war on terrorism.

The budget also promotes international peace and prosperity by launching the most innovative approach to U.S. foreign assistance in more than forty years. The new Millennium Challenge Account (MCA), an independent government corporation funded at \$1.3 billion will redefine “aid”. As President Bush told African leaders meeting in Mauritius recently, this aid will go to “nations that encourage economic freedom, root out corruption, and respect the rights of their people.”

Moreover, this budget offers hope and a helping hand to countries facing health catastrophes, poverty and despair, and humanitarian disasters. It provides \$1.345 billion to combat the global HIV/AIDS epidemic, more than \$1 billion to meet the needs of refugees and internally displaced

peoples, \$200 million in emergency food assistance to support dire famine needs, and \$100 million for an emerging crises fund to allow swift responses to complex foreign crises. Mr. Chairman, let me give you some details.

The U.S. is successfully prosecuting the global war on terrorism on a number of fronts. We are providing extensive assistance to states on the front lines of the anti-terror struggle. Working with our international partners bilaterally and through multilateral organizations, we have frozen more than \$110 million in terrorist assets, launched new initiatives to secure global networks of commerce and communication, and significantly increased the cooperation of our law enforcement and intelligence communities. Afghanistan is no longer a haven for al-Qaeda. We are now working with the Afghan Authority, other governments, international organizations, and NGOs to rebuild Afghanistan. Around the world we are combating the unholy alliance of drug traffickers and terrorists who threaten the internal stability of countries. We are leading the international effort to prevent weapons of mass destruction from falling into the hands of those who would do harm to us and others. At the same time, we are rejuvenating and expanding our public diplomacy efforts worldwide.

Assistance to Frontline States

The FY 2004 International Affairs budget provides approximately \$4.7 billion in assistance to the Frontline States, which have joined with us in the war on terrorism. This funding will provide crucial assistance to enable these countries to strengthen their economies, internal counter-terrorism capabilities and border controls.

Of this amount, the President's Budget provides \$657 million for Afghanistan, \$460 million for Jordan, \$395 million for Pakistan, \$255 million for Turkey, \$136 million for Indonesia, and \$87 million for the Philippines. In Afghanistan, the funding will be used to fulfill our commitment to rebuild Afghanistan's road network; establish security through a national military and national police force, including counter-terrorism and counter-narcotics components; establish broad-based and accountable governance through democratic institutions and an active civil society; ensure a peace dividend for the Afghan people through economic reconstruction; and provide humanitarian assistance to sustain returning refugees and displaced persons. United States assistance will continue to be coordinated with the Afghan government, the United Nations, and other international donors.

The State Department's Anti-Terrorism Assistance (ATA) program will continue to provide frontline states a full complement of training courses, such as a course on how to conduct a post-terrorist attack investigation or how to respond to a WMD event. The budget will also fund additional equipment grants to sustain the skills and capabilities acquired in the ATA courses. It will support as well in-country training programs in Afghanistan, Pakistan, and Indonesia.

Central Asia and Freedom Support Act Nations

In FY 2004, over \$157 million in Freedom Support Act (FSA) funding will go to assistance programs in the Central Asian states. The FY 2004 budget continues to focus FSA funds to programs in Uzbekistan, Kyrgyzstan and Tajikistan, recognizing that Central Asia is of strategic

importance to U.S. foreign policy objectives. The FY 2004 assistance level for Uzbekistan, Kyrgyzstan and Tajikistan is 30 percent above 2003. Assistance to these countries has almost doubled from pre-September 11th levels. These funds will support civil society development, small business promotion, conflict reduction, and economic reform in the region. These efforts are designed to promote economic development and strengthen the rule of law in order to reduce the appeal of extremist movements and stem the flow of illegal drugs that finance terrorist activities.

Funding levels and country distributions for the FSA nations reflect shifting priorities in the region. For example, after more than 10 years of high levels of assistance, it is time to begin the process of graduating countries in this region from economic assistance, as we have done with countries in Eastern Europe that have made sufficient progress in the transition to market-based democracies. U.S. economic assistance to Russia and Ukraine will begin phasing down in FY 2004, a decrease of 32 percent from 2003, moving these countries towards graduation.

Combating Illegal Drugs and Stemming Narco-terrorism

The President's request for \$731 million for the Andean Counterdrug Initiative includes \$463 million for Colombia. An additional \$110 million in military assistance to Colombia will support Colombian President Uribe's unified campaign against terrorists and the drug trade that fuels their activities. The aim is to secure democracy, extend security, and restore economic prosperity to Colombia and prevent the narco-terrorists from spreading instability to the broader Andean region. Critical components of this effort include resumption of the Airbridge Denial program to stop internal and cross-border aerial trafficking in illicit drugs, stepped up eradication and alternative development efforts, and technical assistance to strengthen Colombia's police and judicial institutions.

Halting Access of Rogue States and Terrorists to Weapons of Mass Destruction

Decreasing the threats posed by terrorist groups, rogue states, and other non-state actors requires halting the spread of weapons of mass destruction (WMD) and related technology. To achieve this goal, we must strengthen partnerships with countries that share our views in dealing with the threat of terrorism and resolving regional conflicts.

The FY 2004 budget requests \$35 million for the Nonproliferation and Disarmament Fund (NDF), more than double the FY 2003 request, increases funding for overseas Export Controls and Border Security (EXBS) to \$40 million, and supports additional funding for Science Centers and Bio-Chem Redirection Programs.

Funding increases requested for the NDF and EXBS programs seek to prevent weapons of mass destruction from falling into the hands of terrorist groups or states by preventing their movement across borders and destroying or safeguarding known quantities of weapons or source material. The Science Centers and Bio-Chem Redirection programs support the same goals by engaging former Soviet weapons scientists and engineers in peaceful scientific activities, providing them an alternative to marketing their skills to states or groups of concern.

Millennium Challenge Account

The FY 2004 Budget request of \$1.3 billion for the new Millennium Challenge Account (MCA) as a government corporation fulfills the President's March 2002 pledge to create a new bilateral assistance program, markedly different from existing models. This budget is a huge step towards the President's commitment of \$5 billion in annual funding for the MCA by 2006, a 50% increase in core development assistance.

The MCA supplement U.S. commitments to humanitarian assistance and existing development aid programs funded and implemented by USAID. It will assist developing countries that make sound policy decisions and demonstrate solid performance on economic growth and reducing poverty.

- MCA funds will go only to selected developing countries that demonstrate a commitment to sound policies -- based on clear, concrete and objective criteria. To become eligible for MCA resources, countries must demonstrate their commitment to economic opportunity, investing in people, and good governance.
- Resources will be available through agreements with recipient countries that specify a limited number of clear measurable goals, activities, and benchmarks, and financial accountability standards.

The MCA will be administered by a new government corporation designed to support innovative strategies and to ensure accountability for measurable results. The corporation will be supervised by a Board of Directors composed of Cabinet level officials and chaired by the Secretary of State. Personnel will be drawn from a variety of government agencies and non-government institutions and serve limited-term appointments.

In FY 2004, countries eligible to borrow from the International Development Association (IDA), and which have per capita incomes below \$1,435, (the historical IDA cutoff) will be considered. In 2005, all countries with incomes below \$1,435 will be considered. In 2006, all countries with incomes up to \$2,975 (the current World Bank cutoff for lower middle income countries) will be eligible.

The selection process will use 16 indicators to assess national performance – these indicators being relative to governing justly, investing in people, and encouraging economic freedom. These indicators were chosen because of the quality and objectivity of their data, country coverage, public availability, and correlation with growth and poverty reduction. The results of a review of the indicators will be used by the MCA Board of Directors to make a final recommendation to the President on a list of MCA countries.

Africa Education Initiative

With \$200 million, the United States is doubling its five-year financial commitment to the African Education Initiative it launched last year. The initiative focuses on increasing access to quality education in Africa. Over its 5-year life the African Education Initiative will achieve: 160,000 new teachers trained; 4.5 million textbooks developed and distributed; an increase in the number of girls attending school through providing more than a quarter million scholarships and mentoring; and an increase African Education Ministries' capacity to address the impact of HIV/AIDS.

Increases in Funding for Multilateral Development Banks (MDBs)

The FY 2004 budget provides \$1.55 billion for the MDBs, an increase of \$110 million over the FY 2003 request of \$1.44 billion. This includes \$1.36 billion for scheduled payments to the MDBs and \$195.9 million to clear existing arrears. The request provides \$950 million for the International Development Association (IDA) for the second year of the IDA-13 replenishment, \$100 million of which is contingent on the IDA meeting specific benchmarks in the establishment of a results measurement system. By spring 2003, the IDA is to have completed an outline of approach to results measurement, presented baseline data, and identified outcome indicators and expected progress targets. By that same time, the IDA is also to have completed specific numbers of reviews and assessments in the areas of financial accountability, procurement, public expenditure, investment climate, and poverty.

World Summit on Sustainable Development (WSSD)

The WSSD engaged more than 100 countries and representatives of business and NGOs. Sustainable development begins at home and is supported by effective domestic policies and international partnerships that include the private sector. Self-governing people prepared to participate in an open world marketplace are the foundation of sustainable development. These fundamental principals guide the U.S. approach to Summit initiatives. At the 2002 Summit the U.S. committed to developing and implementing realistic results-focused partnerships in the areas of: Water for the Poor; Clean Energy; Initiative to Cut Hunger in Africa; Preventing Famine in Southern Africa; and the Congo Basin Partnership. At the end of the Summit new relationships and partnerships were forged and a new global commitment to improve sanitation was reached. The FY 2004 Budget supports these partnerships with \$337 million in assistance funding.

The U.S.-Middle East Partnership Initiative

The President's Budget includes \$145 million for the Middle East Partnership Initiative (MEPI). This initiative gives us a framework and funding for working with the Arab world to expand educational and economic opportunities, empower women, and strengthen civil society and the rule of law. The peoples and governments of the Middle East face daunting human challenges. Their economies are stagnant and unable to provide jobs for millions of young people entering the workplace each year. Too many of their governments appear closed and unresponsive to the needs of their citizens. And their schools are not equipping students to succeed in today's globalizing world. With the programs of the MEPI, we will work with Arab governments,

groups, and individuals to bridge the jobs gap with economic reform, business investment, and private sector development; close the freedom gap with projects to strengthen civil society, expand political participation, and lift the voices of women; and bridge the knowledge gap with better schools and more opportunities for higher education. The U.S.-Middle East Partnership Initiative is an investment in a more stable, peaceful, prosperous, and democratic Arab world.

Forgiving Debt -- Helping Heavily Indebted Poor Countries

The Administration request provides an additional \$75 million for the Trust Fund for Heavily Indebted Poor Countries (HIPC). These funds will go towards fulfilling the President's commitment at the G-8 Summit in Kananaskis, Canada to contribute America's share to filling the projected HIPC Trust Fund financing gap. The HIPC Trust Fund helps to finance debt forgiveness by the International Financial Institutions (IFIs) to heavily indebted poor countries that have committed to economic reforms and pledged to increase domestic funding of health and education programs. In addition, the President's request provides \$300 million to fund bilateral debt reduction for the Democratic Republic of the Congo under the HIPC Initiative, as well as \$20 million for debt reduction under the Tropical Forest Conservation Act (TFCA).

The Administration believes that offering new sovereign loans or loan guarantees to indebted poor countries while providing debt forgiveness to those same countries risks their return to unsustainable levels of indebtedness—a situation debt forgiveness seeks to resolve.

In order to address this situation, the Administration recently invoked a one-year moratorium on new lending to countries that receive multilateral debt reduction. U.S. lending agencies have agreed not to make new loans or loan guarantees to countries that receive debt reduction for one year. The measure will not be punitive. Should countries demonstrate serious economic gains before the end of the moratorium, lending agencies may, with interagency clearance, resume new lending. The Administration hopes that this policy will bring to an end the historically cyclical nature of indebtedness of poor countries.

American Leadership in Fighting AIDS and Alleviating Humanitarian Hardships

This budget reaffirms America's role as the leading donor nation supporting programs that combat the greatest challenges faced by many developing countries today. The FY 2004 budget proposes a number of foreign assistance initiatives managed by USAID and other federal agencies to provide crucial resources that prevent and ameliorate human suffering worldwide.

Fighting the Global AIDS Pandemic

The FY 2004 budget continues the Administration's commitment to combat HIV/AIDS and to help bring care and treatment to infected people overseas. The HIV/AIDS pandemic has killed 23 million of the 63 million people it has infected to date, and left 14 million orphans worldwide. President Bush has made fighting this pandemic a priority of U.S. foreign policy.

The President believes the global community can – and must – do more to halt the advance of the pandemic, and that the United States should lead by example. Thus, the President's FY 2004 budget request signals a further, massive increase in resources to combat the HIV/AIDS pandemic. As described in the State of the Union, the President is committing to provide a total

of \$15 billion over the next five years to turn the tide in the war on HIV/AIDs, beginning with \$2 billion in the FY 2004 budget request and rising thereafter. These funds will be targeted on the hardest hit countries, especially Africa and the Caribbean with the objective of achieving dramatic on-the-ground results. This new dramatic commitment is reflected in the Administration's \$2 billion FY 2004 budget request, which includes:

- State Department -- \$450 million;
- USAID -- \$895 million, including \$100 million for the Global Fund and \$150 million for the International Mother & Child HIV Prevention; and
- HHS/CDC/NIH -- \$690 million, including \$100 million for the Global Fund and \$150 million for the International Mother & Child HIV Prevention.

In order to ensure accountability for results, the President has asked me to establish at State a new Special Coordinator for International HIV/AIDS Assistance. The Special Coordinator will work for me and be responsible for coordinating all international HIV/AIDS programs and efforts of the agencies that implement them.

Hunger, Famine, and Other Emergencies

Food Aid – Historically the United States has been the largest donor of assistance for victims of protracted and emergency food crises. In 2003, discretionary funding for food aid increased from \$864 million to \$1.19 billion. That level will be enhanced significantly in 2004 with two new initiatives: a Famine Fund and an emerging crises fund to address complex emergencies.

- **Famine Fund** – The FY 2004 budget includes a new \$200 million fund with flexible authorities to provide emergency food, grants or support to meet dire needs on a case-by-case basis. This commitment reflects more than a 15 percent increase in U.S. food assistance.
- **Emerging Crises Fund** – The budget also requests \$100 million for a new account that will allow the Administration to respond swiftly and effectively to prevent or resolve unforeseen complex foreign crises. This account will provide a mechanism for the President to support actions to advance American interests, including to prevent or respond to foreign territorial disputes, armed ethnic and civil conflicts that pose threats to regional and international peace and acts of ethnic cleansing, mass killing and genocide.

Summary

Mr. Chairman, members of the committee, to advance America's interests around the world we need the dollars in the President's Budget for FY 2004. We need the dollars under both of my hats – CEO and principal foreign policy advisor. The times we live in are troubled to be sure, but I believe there is every bit as much opportunity in the days ahead as there is danger. American leadership is essential to dealing with both the danger and the opportunity. With regard to the Department of State, the President's FY 2004 budget is crucial to the exercise of that leadership.

Thank you and I will be pleased to answer your questions.